WorkSafeBC 2011 Annual Report and 2012–2014 Service Plan

WorkSafeBC 2011 Annual Report and 2012–2014 Service Plan

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WORKSAFE BC

WORKING TO MAKE A DIFFERENCE

Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent statutory agency governed by a Board of Directors appointed by the provincial government. It serves 2.3 million workers and more than 210,000 employers throughout B.C., and is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act* (the Act), WorkSafeBC remains separate and distinct from government; however, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

The Board of Directors approved a new strategic plan in December 2011. The strategic plan sets the direction for the organization for the period 2012 to 2017 and provides the foundation for WorkSafeBC operations, initiatives and objectives designed to achieve the targets set out in this report. For more information on the strategic plan, please see the sidebar on page 11. A summary of the significant changes to the plan are outlined on page 134. The full version of the strategic plan, Safe Work, Outstanding Service is available at WorkSafeBC.com.

Vision

British Columbians free from workplace injury, disease, and death

Mission

- Champion safe and healthy workplaces
- Save lives and prevent injury and disability
- Deliver outstanding service to workers and employers
- Provide and support excellent medical and rehabilitative care to workers
- Preserve the financial integrity and sustainability of the system
- Learn, lead, and share

Priorities of the Board of Directors

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability[1]
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Our goals

(For more information, see page 22)

1. Foster the improvement of occupational health and safety in workplaces and communities
2. a. Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence

   b. Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements
3. Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers
4. Maintain financial security, sustainability, and stability

Shared values

As an organization and as individuals, we make decisions and take action based on these values:

Service
Making a difference one human being at a time

Integrity
Doing the right thing

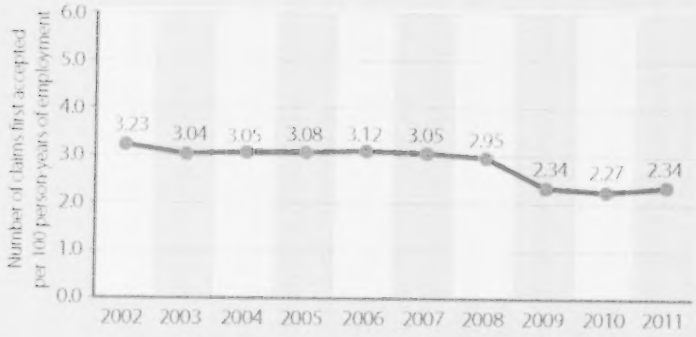
Accountability
Remaining open and transparent

Partnership
Collaborating for success

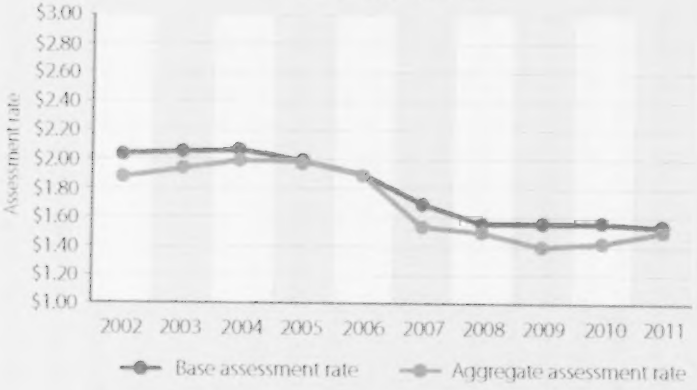
Innovation
Challenging complacency

Operational Highlights

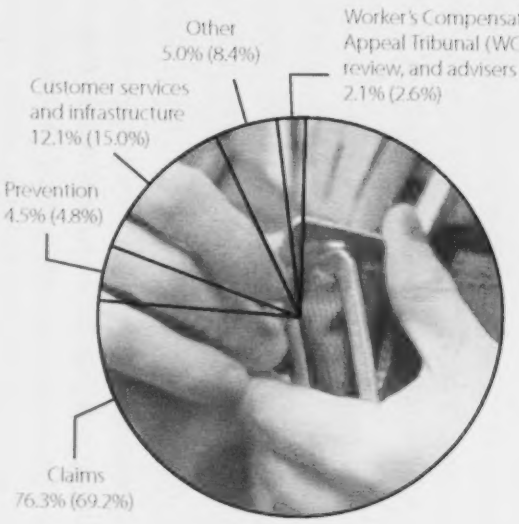
Injury rate[c]



Assessment rate



Allocation of 2011 Expenses (2010)[b]

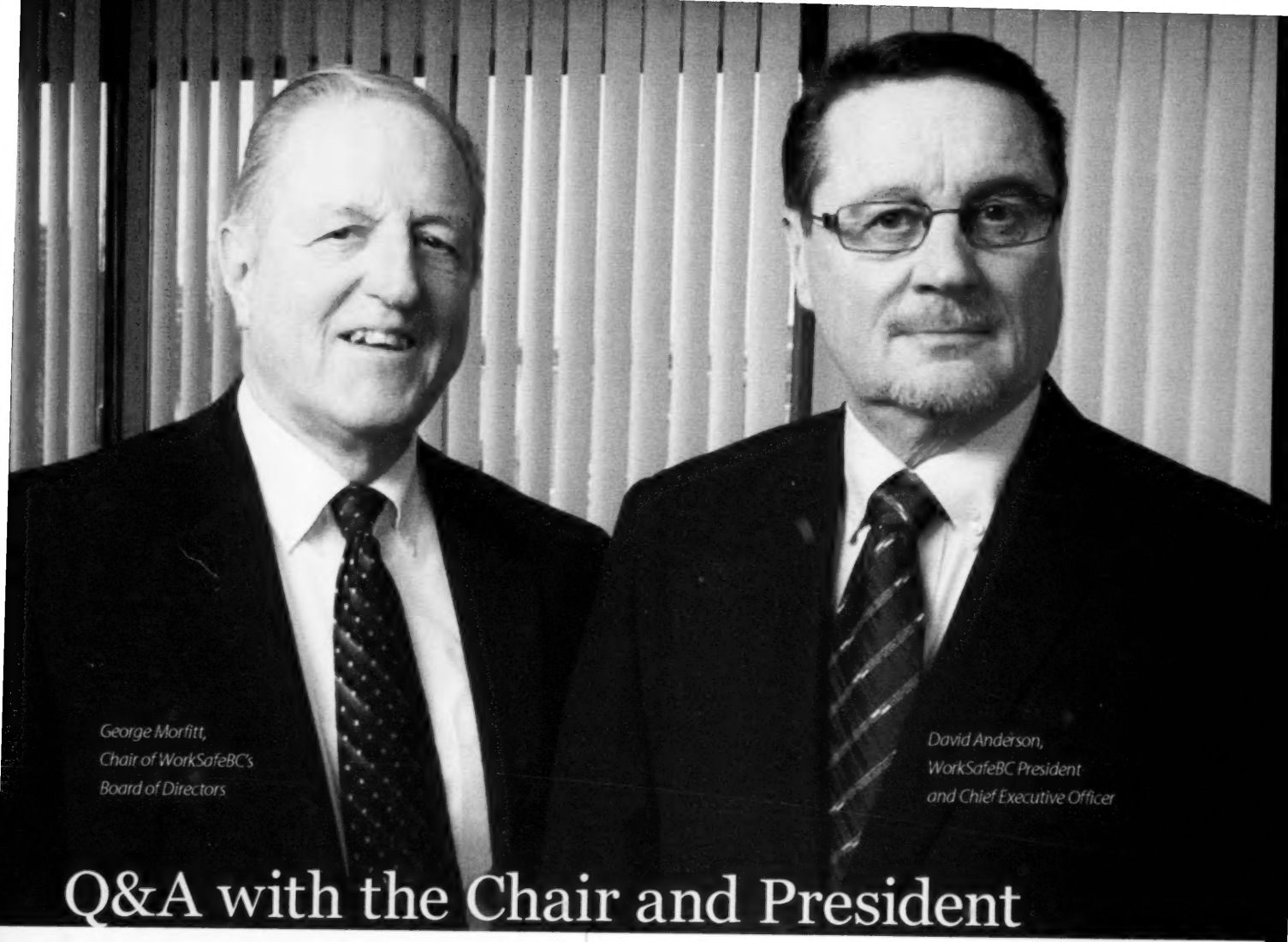


Key financial comparatives ($ millions)	2011	2010[b]
Premium income	1,145	1,028
Investment income	488	1,152
Other income	9	13
Claim costs	1,645	1,291
Administration costs[a]	160	178
Other costs	50	39
Surplus (deficit) from operations	(213)	685
Actuarial gains (losses) on employee benefit plans	(87)	(63)
Total comprehensive income (loss)	(300)	622
Total assets	12,548	12,734
Total liabilities	10,004	9,890
Unappropriated balance	1,046	1,155
Reserves	1,755	1,859
Accumulated other comprehensive income (loss)	(257)	(170)
Market rate of return on investment	4.1%	10.4%

[a] Net of claim administration costs: 2011: $229 million; 2010: $248 million

[b] 2010 figures have been restated from the figures published in the *2010 Annual Report* to reflect accounting changes based on IFRS (see page 111, Note 21 of the consolidated financial statements)

[c] Comparative figures for prior years have been restated from those published in the *2010 Annual Report* due to a change in the data warehouse (the restatement is 0.01 for each year from 2003-2008)



George Morfitt, Chair of WorkSafeBC's Board of Directors

David Anderson, WorkSafeBC President and Chief Executive Officer

Q&A with the Chair and President

In Conversation with the Chair

Q. What was WorkSafeBC's financial story in 2011?

There was a significant drop in investment income in 2011, which contributed to the total comprehensive loss of $300 million. The workers' compensation system is funded by employer premiums and income from investments. In recent years, WorkSafeBC's financial position has been adversely affected by external financial factors including the 2008 market crash, the more recent debt crisis in Europe, and the continued instability of global financial markets through 2011.

Unfortunately this instability looks likely to continue into 2012, reinforcing the need for a prudent investment strategy and adherence to capital adequacy policies.

A stable and well-funded system benefits workers and employers alike — employers remain protected from lawsuits, and injured workers receive all the benefits to which they are entitled. However, the economic challenges WorkSafeBC experienced in 2011 are real, and will likely put upward pressure on future employer assessment rates. While we have a program in place to ensure rate increases are smoothed over time, the program is, at the same time, designed to ensure that the costs of today's workplace injury and death are paid for by today's employers and not left to be borne by future employers. WorkSafeBC continues to have historically low assessment rates and this will not change; but the system has experienced a financial loss in 2011 and this must be addressed. Any rate

increases are likely to be moderate and costs will continue to be very manageable for employers.

Q. What was the board of directors' focus for 2011?

In 2011, our first priority was looking at our capital adequacy reserve and maintaining stability of our financial situation in an uncertain world economy. We decided to draw on reserves to stabilize rates, avoiding sudden increases that would put excessive cost pressure on employers (see KPI #9, page 41). We lowered projections of our future financial position and determined what we will need in reserves to ensure the system's long-term sustainability.

While the financial focus was clearly a priority in 2011, the Board also continued with its important business of regulatory review and oversight. This included considering and approving regulatory amendments following the 2011 public hearing process, including the difficult decision to amend a section of the Working Alone or in Isolation regulation — specifically the requirements for late-night retail workers. The Board is always challenged to find the balance between practicability in regulatory requirements and protecting the safety of all workers.

In addition, in late 2011 the WorkSafeBC Board of Directors approved a new strategic plan to provide vision and direction for the organization in the years to come.

Q. What is important about the new strategic plan?

The new plan continues the direction of the previous plan, but also places greater priority on certain areas of our business.

One of these priorities is addressing the problem of serious injuries (see page 28). While injury rates in general have reached historic lows, the absolute number of serious injuries remains relatively consistent — which is unacceptable. The new strategic plan directs the organization to focus on the further mitigation of risks that lead to serious injury, disease, or death.

The strategic plan also further directs WorkSafeBC in addressing two of its key mandates: to make sure injured workers recover as quickly as possible, and to return workers safely to work. Claim duration has become a challenge for the organization as well as the workers and employers of British Columbia, with significant human, social, and economic costs; it is well-known that the longer a worker remains off work, the less likely it is he or she will ever return to work.

Q: Going forward in 2012, what other priorities has the board set?

Another key initiative will be to improve the way we communicate with employers and workers. Many of our communications are based upon the law and policy that we administer on behalf of stakeholders, and have historically been quite technical and legalistic. We will be working to better understand our customers' information needs and adopt more of a "plain language" approach.

In addition, WorkSafeBC will expand services to our most seriously injured workers. Through our Special Care Services department, we will continue to take a holistic approach to worker rehabilitation by assisting workers in developing and maintaining independence in the areas of self care, vocational rehabilitation, and daily living activities. We will also be building upon existing services that aim to enhance and improve seriously injured workers' general quality of life.

Q&A with the Chair and President

In Conversation with the President

Q. What were the successes and challenges of 2011?

In 2011, while the injury rate moved slightly upward, it remained well below historic norms and close to the all-time low rate achieved in 2010. Employer assessment rates continue to be among the lowest in the country, and we continued to receive positive feedback on our customer service from employers and workers. In addition, the return-to-work rate for seriously injured workers was strong in 2011.

We also had challenges in 2011. While we had weathered the global financial crisis of 2007–2008 and recovered nicely by 2010, we suffered an operating loss in 2011 caused by weak financial markets — with ramifications for our business. This caused pressure on employer rates, which will be addressed by very moderate rate increases over time. Prudent management of our portfolio and a continued conservative investment strategy should mitigate the financial risks and maintain rate stability.

Our biggest challenge has been the duration of disability claims, which contributed to the increase in claim costs; while more workers are returning to work after an injury, it is taking them longer to do so. In 2011, the uncertain economy meant employers were reluctant to take workers back unless the worker was fully recovered from his or her injuries; there were fewer jobs to go back to; and there was less flexibility to accommodate injured workers. This is something we'll work on in 2012, along with our partners — the workers and employers of British Columbia.

Q. How will WorkSafeBC respond to these challenges?

The slow increase in the injury rate is partially a reflection of the change in industry mix in the past year or so. More people are returning to higher-risk industries, such as construction and forestry; as these industries pick up and attract more workers, this is something we need to pay attention to. That said, WorkSafeBC will continue refining its High-Risk Strategy,[2] focusing our education, consultation, and enforcement resources where they're needed most — the industries and employers that generate frequent and most serious injuries.

While we can't change the economy to create more work opportunities for injured workers, there are things we can do to address the claim duration and return-to-work challenges experienced in 2011. We can raise awareness among employers and, we can work with employer and labour organizations to generate positive solutions that work for everyone; to encourage employers to return their injured workers to the job as quickly and safely as possible.

Returning injured workers to safe, durable employment more quickly is good for workers. Work is important to health, and accommodating workers during recovery reduces the potential for permanent disability. Getting that message out and making returning to work an accepted and regular part of recovery will be a big part of our disability prevention strategy.

Q. How does the new strategic plan affect WorkSafeBC's business operations in the years ahead?

The new strategic plan is a direction-setting document that guides and informs us as we plan for the future and administer the workers' compensation system. The new plan is a continuation of the path we've been on for some years now, however the direction reflects current economic and societal realities the organization operates within to establish operational targets. The strategic plan also informs staff and stakeholders of these goals and clarifies priorities for the administration (see page 22) — the senior executive team creates and initiates the programs and allocates the resources to reflect the priorities in the strategic plan, specifically, reducing serious injury; improving return-to-work outcomes; and preventing workplace injury, disease, and death.

We appreciate the vision of the Board of Directors — an experienced Board that fully understands the complexities of running a workers' compensation system, especially in difficult times. The new strategic plan places a greater emphasis on prevention — including the prevention of disability, by focussing even more effort on facilitating safer durable return to work.

The strategic plan also states the priorities of the Board of Directors. Those priorities drive the performance targets and operational objectives. More importantly, the strategic plan is intended to align the efforts of staff and stakeholders toward those actions that will have the greatest impact on the health, safety, and rehabilitation of workers and workplaces.

Q. What are the external challenges for WorkSafeBC moving forward?

The workers' compensation system is affected by many external factors: a) we're seeing improvements in science that now enable us to confirm linkages between past work or occupational exposures and the emergence many years later of disease; b) the volatile economic climate impacts injury rates and return-to-work capacity as discussed above. c) financial market issues such as a strong Canadian dollar and depressed housing market in the U.S. cause a decline in demand for our resources; and, d) we see societal health issues such as mental health potentially increasing the risk of injury and prolonged disability.

In addition, demographics including an aging workforce and the employment of more temporary foreign workers, may increase workers' risk of injury and difficulty in returning to work. These are all external forces with a significant impact on our business.

About WorkSafeBC

WorkSafeBC is dedicated to the reduction and eventual elimination of work-related injury, illness, disease, and death in B.C. workplaces. When workers do get sick, injured, or killed on the job, WorkSafeBC is committed to easing the physical, financial, and psychological burden on these workers and their families.

WorkSafeBC has legislated responsibility for establishing and enforcing occupational health and safety standards; compensating and rehabilitating injured, ill, and disabled workers, or providing benefits to their dependants; and, assessing and collecting employer premiums to support and administer the workers' compensation system. To meet these responsibilities, WorkSafeBC focuses on the following areas of business.

Preventing workplace injury and death

WorkSafeBC's vision is to keep workers and workplaces safe and secure from injury, disease, and death. In support of this goal, WorkSafeBC establishes standards and guidelines for occupational health and safety practices; educates and consults with workplace stakeholders; raises public awareness; and builds partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. Additionally, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions regarding compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to safe, lasting employment.

The historic compromise

Each class surrenders to the State certain rights…The employer in submitting to the levy…upon his industry receives the benefit of protection from expensive litigation. The workman in return, though he loses the precarious right to sue in tort for damages, receives…a stipulated amount based upon his economic position in the community. Both, as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.

— B.C. Sessional Papers, Volume II, 1914:M13

Maintaining the system's financial sustainability

WorkSafeBC assesses and collects employer premiums and invests those funds to cover current and future costs of compensation benefits as well as the costs of administering the workers' compensation system. WorkSafeBC is committed to sound financial management and has programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions relating to compensation, assessment, and prevention. During the review process, an initial decision may be overturned if it is deemed incorrect or new evidence is found.

Protecting workers and employers since 1917

In some jurisdictions, workers can sue their employers for damages if they suffer work-related injuries. That is not the case in British Columbia, because of what is known as the historic compromise. Under the compromise, workers relinquished their right to sue their employers or fellow workers for injuries, illnesses, and diseases sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system. Today, the historic compromise remains the basis of workers' compensation in B.C. and in all of Canada.

Safe Work and Outstanding Service: WorkSafeBC's Strategic Plan 2012-2017

In 2011, the Board of Directors and senior executive of WorkSafeBC undertook a detailed examination of the strategic foundations and direction of the organization. This was the first comprehensive review of the strategic plan that was released in 2004. In the intervening years WorkSafeBC has seen its funding position improve, base premium rates fall and, most importantly, historic lows for injury and fatality rates, and improved worker and employer satisfaction with the service they receive.

New challenges have emerged since the last strategic plan was introduced. The global financial crisis, continuing uncertainties in European economies, and a U.S. recession have all had a profound impact on certain sectors of B.C.'s economy and on the investment return upon which our system depends. Rising numbers of occupational disease cases, changing demographics, and capital market volatility are part of our current environment and will likely influence WorkSafeBC's operating environment for years to come.

To address these challenges and provide direction for the future operations of WorkSafeBC, in December 2011 the Board of Directors approved a new strategic plan. It provides general continuity with WorkSafeBC's past vision, mission, and priorities while refining the goals, operational objectives, and measures guiding operations. The new strategic plan also places greater emphasis on preventing serious injuries (see page 28) — life-changing and life-ending work events that continue to occur in the workplace. At the same time, it calls for improved service and return-to-work outcomes that will benefit workers and employers.

The new strategic plan sets the direction for WorkSafeBC through 2017, the 100-year milestone for workers' compensation in British Columbia. The new strategic plan underscores a continued commitment to the priorities of safe work and outstanding service.

More information on the strategic plan can be found in Appendix D on page 134.

Financial Context

The financial information contained in this annual report and service plan conforms to the audited consolidated financial statements (see page 72), except for the additional financial information, as noted, based on the smoothed accounting approach.

In 2011, WorkSafeBC adopted International Financial Reporting Standards (IFRS). In accordance with IFRS, WorkSafeBC's consolidated financial statements reflect the market value of investments and fair value of post-employment employee benefit plan assets and liabilities at the end of the reporting year (fair value accounting). They provide a snapshot or point-in-time reading of financial assets and liabilities. Long-term and short-term financial market fluctuations are reflected in the financial results.

However, since WorkSafeBC's investments are intended to yield returns over the long term, any short-term losses should not necessarily signal the need to increase premium rates or a need for government to consider reducing worker benefits. Conversely, short-term goals in asset value do not necessarily mean funds are available to lower employer premium rates or suggest there is capacity for government to increase worker benefits. To avoid rate fluctuations generated by financial market volatility, WorkSafeBC continues to set premium rates using smoothed accounting, based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. Smoothed accounting amortizes investment returns, along with actuarial gains or losses relating to WorkSafeBC's post-employment benefit plan assets and liabilities, over a five-year period, moderating the effect of capital market volatility on financial results. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependents).

A 10-year summary table, prepared based on the smoothed accounting approach, is available online at: www.worksafebc.com/publications/reports/annual_reports.

Prudent investment promotes sustainability

To ensure the long-term financial sustainability of the workers' compensation system in British Columbia, the *Workers Compensation Act* stipulates that present and anticipated future costs arising from an injury in a given year should be collected through assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote the sustainability of the workers' compensation system through prudent investment of the Accident Fund.[3] The primary determinant of the Accident Fund's risk and expected return is the asset mix of its investment portfolio, determined by WorkSafeBC's Board of Directors with the advice of an Investment Committee which includes three independent external investment experts, WorkSafeBC's President and Chief Executive Officer, Chief Financial Officer, Chair of the Audit Committee, and one other board-appointed member. The minimum long-term objective of the Investment Committee is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, slightly higher than the 3.0 percent discount rate used to determine the Fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other objectives, this statement sets out a risk budget that guides the investment strategies. Currently, 33 percent of the Accident Fund's investment portfolio is targeted to fixed-income investments such as bonds and mortgages (with a permissible range of 20 to 45 percent). Another 39 percent is allocated to Canadian and international public and private equities (with a permissible range of 25 to 50 percent). The final 28 percent is allocated to inflation-sensitive investments, such as inflation-linked bonds, real estate, and infrastructure assets (with a permissible range of 15 to 40 percent).

Funding policy offers protection

In 2007, WorkSafeBC's Board of Directors approved the creation of a Capital Adequacy Reserve to address the organization's long-term capital requirements. This reserve offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 11 of the consolidated financial statements, page 104).

WorkSafeBC assesses its financial strength using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key objective/performance indicator #8 (see page 39). This indicator, unique to WorkSafeBC, tracks the organization's ability to withstand the impact of large financial shocks, such as the stock market losses that occurred in 2008 and 2011. At the end of 2011, this indicator was at 93 percent of the target asset level. The long-term goal is to build this indicator to 100 percent; however the indicator's current level continues to demonstrate the organization's ability to withstand significant financial impacts.

The second indicator determines the funding level, or the ratio of assets to liabilities, an indicator of financial strength used by other workers' compensation boards in Canada (see Appendix B, page 126). At the end of 2011, WorkSafeBC's funding level was 125 percent.

The impact of accounting changes on financial statements

In 2011, WorkSafeBC's financial reporting changed because of Canada's adoption of International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for publicly accountable enterprises. WorkSafeBC and the other workers' compensation organizations throughout Canada implemented IFRS in 2011.

Detailed information on WorkSafeBC's transition to IFRS and the impact of the accounting policy changes on WorkSafeBC's financial statements is available in Note 21 of the financial statements on page 111.

Governance WorkSafeBC Board of Directors

Rick Roger

Public interest representative
BA, MSHA
Appointed January 2009

Former CEO of the Vancouver Island Health Authority and the Vancouver/Richmond Health Board

Joe Lindgren

Employer representative
BA (Hons), C.Dir
Appointed January 2009

Small business owner; president of Lincor Enterprises Ltd.; trustee of the Construction Industry's Benefit Plan; director of the Vancouver Resource Society

Henry Harder

Health care & rehabilitation representative
BEd, MA, EdD
Appointed April 2008

Registered psychologist; professor and chair of health sciences at the University of Northern British Columbia

Phillip Legg

Worker representative
BA, C.Dir
Appointed January 2009

Director of policy and communications for the Federation of Post-Secondary Educators of B.C.; board member of the Community Savings Credit Union

Tazeem Nathoo

Public interest representative
ICD.D

Appointed November 2010

Executive coach and senior consultant with Western Management Consultants; board member of Citizens Bank of Canada and BCAA

Robert Smith

Actuary
BSc, MSc, MBA, C.Dir.
Appointed May 2007

Extensive experience in the insurance, finance, pension, and investment fields, both as a senior executive and board member; former CEO of Seaboard Life Insurance Company

George Morfitt

Chair
BCom, FCA
Appointed May 2010 (Director since 2006)

Adjunct professor at the University of Victoria's School of Public Administration; former Auditor General of British Columbia

David Anderson

WorkSafeBC President and Chief Executive Officer
MBA, FCHRP, C.Dir
Appointed December 2003

Former WorkSafeBC VP Rehabilitation & Compensation Services and VP Human Resources; senior executive positions in both the public and private sector

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister of Labour with a service plan that addresses the three-year period starting on January 1 of that year and achieves the following:
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results of the previous year with the expected results identified in the previous year's service plan
  - Presents other information WorkSafeBC considers appropriate

Priorities of the Board of Directors[4]

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Major accomplishments

In 2011, major accomplishments of the WorkSafeBC Board of Directors included:

- Maintaining a strong financial position during 2011, despite financial markets that continued to be turbulent
- Enhancing the ability of health care providers to interact with WorkSafeBC through an innovative website portal
- Approving a series of amendments to the Occupational Health and Safety Regulations to enhance on-the-job safety, including changes to confined spaces, cranes and hoists, wire rigging, mobile equipment, oil and gas operations, driven-feed mobile chipper requirements, construction, excavation, and demolition
- Enhancing WorkSafeBC's ability to share and communicate research results to improve workplace safety
- Funding six Innovation at Work projects (targeting practical, shop-floor solutions to improve workplace safety throughout the province)
- Funding nine Research at Work projects (to enhance knowledge and understanding of safety issues in B.C.)
- Releasing, for public consultation, a series of occupational health and safety regulatory enhancements to achieve greater safety for workers in a number of areas
- Approved a new strategic plan that sets the direction for WorkSafeBC from 2012–2017

Committees

In 2011, the Board of Directors met nine times and held one governance and planning session. Board committees met as follows:

- Audit Committee — seven times in 2011
- Human Resources and Compensation Committee — four times in 2011
- Policy, Regulation and Governance Committee — five times in 2011

Decisions

The Board of Directors makes decisions on policy and regulation affecting the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay and the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, and its formal resolutions, at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

For more information about WorkSafeBC's Board of Directors, including the Board's standards of conduct, visit WorkSafeBC.com.

Accountability

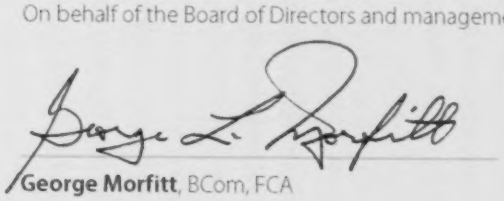
The 2011 Annual Report and 2012–2014 Service Plan was prepared under our direction in accordance with the *Workers Compensation Act*.[5] WorkSafeBC is accountable for the results achieved, for selecting the performance indicators, and for how our performance has been reported.

The information contained in this document reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2011 and ending December 31, 2011. All material fiscal assumptions and policy decisions up to April 24, 2012 have been considered in developing this publication.

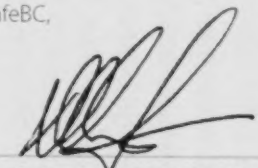
This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the 2010 Annual Report and 2011–2013 Service Plan. It also includes estimates and significant interpretive information representing the best judgment of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance. We are responsible for ensuring WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in performance data reliability have been identified and explained.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our website at WorkSafeBC.com.

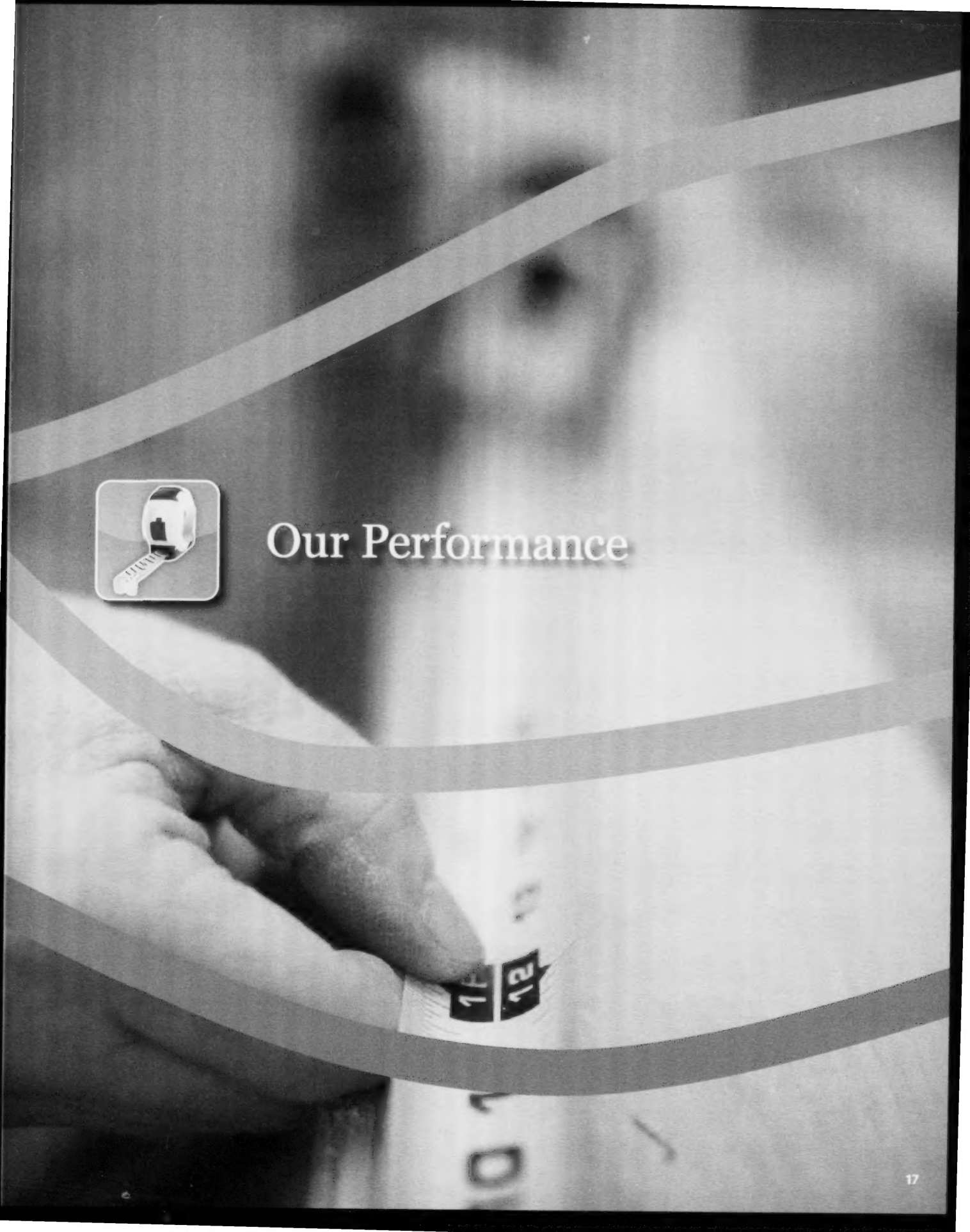
On behalf of the Board of Directors and management of WorkSafeBC,



George Morfitt, BCom, FCA
Chair
WorkSafeBC



David Anderson, MBA, FCHRP, C.Dir.
President and Chief Executive Officer
WorkSafeBC



Our Performance

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour, Citizens' Services and Open Government, Province of British Columbia

I have audited the *2011 Annual Report and 2012-2014 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2011. The eight BC Reporting Principles outline the characteristics of good performance reporting and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether it has been prepared in accordance with the BC Reporting Principles and fulfills the attributes of consistency, fairness, relevance, verifiability, understandability, timeliness and reliability. A separate audit to determine if WorkSafeBC's financial statements have been prepared and reported in accordance with Canadian generally accepted accounting principles was also conducted. My opinion is provided on page 71.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2011, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles and is an integral part of my opinion.

Victoria, British Columbia
April 25, 2012

John Doyle, MAcc, CA
Auditor General

Detailed Observations

Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to key objective/performance indicators. The relevance of these indicators is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and the 11 key objective/performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key objective/performance indicator, their impact on results and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items. Critical measures of efficiency are identified — administrative efficiency is the focus of one key objective/performance indicator and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted

I am providing a high level of assurance that the data supporting the 11 key objective/performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although I do not provide assurance on the effectiveness of the control environment.

The report is reasonably concise and specialized terminology has been largely avoided.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how key objective/performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Our Performance

Measuring Our Performance

To measure its performance, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark its progress over time. These objectives and performance indicators guide the organization in all planning and decision making and, through the annual reporting process, enable WorkSafeBC to remain open and accountable to the people of British Columbia.

WorkSafeBC uses a number of objectives and performance indicators, 11 of which the Board of Directors and Senior Executive Committee have identified as key contributors to meeting WorkSafeBC's strategic goals (see page 4). In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators to WorkSafeBC's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key objective/performance indicators reflect WorkSafeBC's commitment to reporting its performance in terms of a balanced scorecard — an analysis of the organization's ability to incorporate both financial and non-financial factors toward fulfilling its mandate, vision, and mission. By looking beyond the financial indicators of success, WorkSafeBC gains a more comprehensive picture of its overall performance and uses that information to enhance its business operations.

Throughout the year WorkSafeBC monitors and assesses each performance indicator (along with additional indicators used at the corporate and divisional levels) to track its progress toward targeted goals. The organization updates most indicators on a monthly or quarterly basis, allowing WorkSafeBC to adjust to changes quickly and, when necessary, to make corrective policy, program, or operational changes to revert to target.

Changes from the previous year

Nine of the 11 key objective/performance indicators selected for this year's annual report and service plan have been used since 2003,[1] although some definitions and methods of calculation have changed over time. Any substantive changes in methods used for calculating these key objective/performance indicators are noted in the year in which they were made. WorkSafeBC's Board of Directors may change or discontinue key objective/performance indicators or introduce new ones at any time.

If an indicator changes after the annual report and service plan have been submitted to the Minister of Labour, the change is detailed in the following year's report. WorkSafeBC also reports the results of indicators discontinued from the previous year, and, whenever possible, historical results. This provides readers with context to interpret and compare target results from year to year.

Prior to 2010, several key objective/performance indicators were based (in whole or in part) on data derived from legacy systems. Beginning in 2010, the annual report and service plan results and targets have been developed based on data available through Claims Management Solutions (CMS) systems which was implemented in May 2009. Key objective/performance indicators affected by this change include: the provincial injury rate, timeliness of payments, duration, and return-to-work success for cases referred to Vocational Rehabilitation Services. However, every effort has been made to ensure comparability across all time periods shown.

Also, as noted on pages 12-13, beginning in 2011 WorkSafeBC adopted International Financial Reporting Standards (IFRS) reflecting the adoption of those standards as generally accepted accounting principles (GAAP) for publicly accountable enterprises in Canada. As such, 2011 results and targets for 2012 and beyond are in accordance with IFRS, while any consequences of this change are noted in the sections pertaining to the key objective/performance indicators affected. Additional detail on IFRS may be found on page 68.

During 2011, the Board of Directors approved a new strategic plan (see page 11). The plan builds upon past strategies, refines objectives, and re-affirms priorities in light of the current operational and environmental context.

In approving a new strategic plan the Board of Directors also changed the focus of key objectives/performance indicator #2. In the past, this measure focused on the average duration of claims — in terms of the number of days of paid benefits. The duration measure was the best possible measure given the limitations of the previous system with the expanded data available under CMS, the focus going forward will be on return-to-work. For this year, the performance result against the target set for 2011 is reported as KPI 2a. A baseline for the new measure is reported as KPI 2b, and targets for 2012 to 2014 are also reported.

Setting annual targets

In setting annual targets for each key objective/performance indicator, WorkSafeBC considers several factors, including its historical performance, desired service levels, operational requirements, and resources available for achieving short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance as well as the potential to mitigate or control those factors through various programs and initiatives (see Appendix C, page 128).

In setting its annual targets, WorkSafeBC strives for continuous improvement. In some cases, however, the targets it sets for future years may be the same or less favourable than levels achieved the previous year. This situation can occur when factors that contributed to past performance are no longer expected to continue. For example, the organization may have achieved favourable results because of a temporary improvement in economic conditions, a new short-term initiative, or a one-time allocation of resources. Targets may also be less favourable than previous targets when certain expenditures or activities are expected to affect outcomes. For example, an investment in new technology could increase WorkSafeBC's administrative costs for a period of time. Where appropriate, this type of temporary cost increase would be factored into future targets.

Because of differences between the previous strategic plan and the new strategic plan, performance for 2011 and previous years shown in the following sections should be considered against targets set under the previous plan. Targets for 2012 and beyond have been established in accordance with the priorities, goals, and objectives established under the new strategic plan. A side-by-side, high-level comparison of the linkages between the priorities and performance under both plans appears on pages 22-23.

The following section lists each key objective/performance indicator, the factors contributing to performance outcome, and WorkSafeBC's annual targets through 2014. WorkSafeBC's targets are consistent with the meaning and use described in the Performance Reporting Principles for the British Columbia Public Sector. In this context, a target is a forecast of a performance indicator's value in a given year of the service plan. Targets, however, are not intended to limit WorkSafeBC's potential to strive for service improvement or dictate how decision makers should adjudicate individual claims.

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all key objective/performance results published in this annual report. In an ongoing effort to improve its performance reporting, for the past nine years WorkSafeBC has submitted its annual report to a voluntary annual audit by the Office of the Auditor General of British Columbia. This audit, which is over and above the normal auditing of financial statements, is intended, in part, to validate the systems and processes the organization uses to collect performance data, verify the accuracy of its results, and identify areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 18-19.

Through ongoing auditing and quality-control initiatives, WorkSafeBC will endeavour to expand on the quality, consistency, comparability, and completeness of the data contained in its annual report. The Board of Directors and Senior Executive Committee will continue evaluating performance indicators, refining them as necessary to ensure each indicator accurately reflects WorkSafeBC's progress in working toward its strategic goals.

Comparing results over time

Each performance indicator cited in this report includes a comparison to past results. While WorkSafeBC's criteria for measuring its performance generally remain the same from year to year, the overall operating environment must be considered to properly interpret the results over time. A change in the mix of economic activity[6] — an increase in construction activity, for example — can influence the outcome of several performance indicators which are based upon overall system averages. Similarly, changes in the proportion of occupational disease claims could affect the indicator for the timeliness of payments, since claims for disease are complex and generally take more time to adjudicate. Changes in the economy can also influence some indicators more than others. For example, when demand for labour is strong, claim durations may diminish, while successful return-to-work outcomes increase.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to measure their performance and administer their systems. However, each jurisdiction typically uses different means to collect and report its data due to differing legal requirements, policies, goals, governing structures, and operating procedures. See Appendix B, page 124 for more information.

Linking Priorities and Performance

In December 2011, the WorkSafeBC Board of Directors approved a new strategic plan. It reflects refinements to the past strategic direction and provides updated priorities, goals and objectives. Past performance should be interpreted in relation to the strategic plan in place through 2011, summarized in the chart below. Targets for years 2012-2014 are consistent with the new strategic plan and should be read in conjunction with the chart on page 23.

2004–2011 Strategic Plan*

Board of Directors—Priorities

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships in prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessments
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Goals

Goal 1: Foster the improvement of occupational health and safety in workplaces

Goal 2a: Improve service to stakeholders — improve satisfaction, accessibility, and public confidence

Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy

Goal 3: Improve cost-effectiveness and accountability of the services we deliver

Goal 4: Maintain financial sustainability and stability

Operational objectives

- Reduce the provincial injury rate
- Reduce the average short-term claim duration
- Improve return-to-work outcomes for workers in vocational rehabilitation
- Improve timeliness of initial short-term disability payments
- Improve injured workers' rating of overall experience
- Improve employers' rating of overall experience
- Raise public confidence
- Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy
- Control administration costs
- Achieve 100 percent of the target asset level
- Attain an aggregate premium rate between $1.25 and $2.25 (per $100 of assessable payroll)

Indicators

- Injury rate (number of claims first accepted per 100 person-years of employment) (performance indicator #1)
- The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim (performance indicator #2)
- Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (performance indicator #3)
- The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4)
- Survey results: injured workers' rating of overall experience (performance indicator #5)
- Survey results: employers' rating of overall experience (performance indicator #6)
- Survey results: public contribution index (performance indicator #7)
- The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) (performance indicator #11)
- Annual administration costs per $100 of assessable payroll collected from employers (performance indicator #10)
- Percentage of the target asset level achieved (performance indicator #8)
- Aggregate premium rate (performance indicator #9)

* *Workers' Compensation in 2010 and Beyond: Strategic Plan* (WorkSafeBC, September 21, 2004), www.worksafebc.com/publications/reports/annual_reports/assets/pdf/strategic_plan_2010/strat_plan_2010.pdf

2012–2017 Strategic Plan*

Board of Directors—Priorities

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Respond effectively to changing social and economic realities
- Maintain a system with long-term sustainability that contributes to the societal benefits in keeping with the historic compromise
- Maintain an effectively operating business

Goals

Goal 1: Foster the improvement of occupational health and safety in workplaces and communities

Goal 2a: Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence

Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements

Goal 3: Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers

Goal 4: Maintain financial security, sustainability and stability

Operational objectives

- Preventing serious injury
- Championing return to work and preventing avoidable disability
- Providing outstanding customer service to workers and employers
- Learning, leading and sharing
- Ensuring the long-term financial stability of the system
- Engaging and supporting the WorkSafeBC team

Indicators

- Injury rate (number of claims first accepted per 100 person-years of employment) (performance indicator #1)
- Return to work
- Improve the timeliness of safe, durable return-to-work for workers on short-term disability benefits (performance indicator #2)
- Improve return-to-work outcomes for workers in vocational rehabilitation (performance indicator #3)
- The number of days required for WorkSafeBC to send first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4)
- Survey results: injured workers' rating of overall experience (performance indicator #5)
- Survey results: employers' rating of overall experience (performance indicator #6)
- Survey results: public contribution index (performance indicator #7)
- Proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) (performance indicator #11)
- Annual administration costs per $100 of assessable payroll collected from employers (performance indicator #10)
- Percentage of the target asset level achieved (performance indicator #8)
- Aggregate premium rate (performance indicator #9)
- Greenhouse gas emissions (reported in the CSR section)
- Employee safety (reported in CSR section)
- Employee engagement (reported in CSR section)

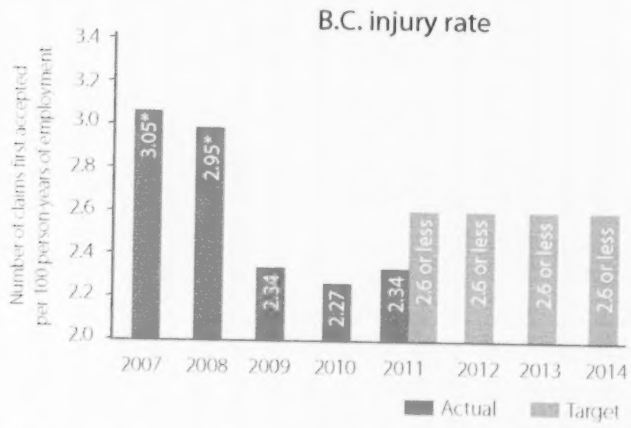
* *Safe Work and Outstanding Service — WorkSafeBC's Strategic Plan 2012–2017* (WorkSafeBC, December 7, 2011) www.worksafebc.com.

Performance targets and results at a glance

Key objective/performance indicator	2011 target	2011 result	2012 target	2013 target	2014 target
1. Reduce the provincial injury rate (number of claims first accepted per 100 person-years of employment)	2.6 or less	2.34	2.6 or less	2.6 or less	2.6 or less
2. a) Reduce the average short-term claim duration (days lost from work)	55 days or less	60.4 days	n/a	n/a	n/a
b) Return to work (percentage of workers returning to work within 26 weeks from injury date)	n/a	80.7%	82%	83%	84%
3. Improve return-to-work outcomes for workers in vocational rehabilitation (percentage of vocational rehabilitation clients who successfully return to work)	71%	71.7%	71%	72%	73%
4. Improve timeliness of initial short-term disability payments (number of days from disablement date to first payment)	24 days	21.8 days	22 days	22 days	22 days
5. Improve injured workers' rating of overall experience (percentage who rate overall experience as good or very good)	74% good or very good	74% good or very good	75% good or very good	76% good or very good	77% good or very good
6. Improve employers' rating of overall experience (percentage who rate overall experience as good or very good)	80% good or very good	83% good or very good	83% good or very good	84% good or very good	85% good or very good
7. Raise public confidence (percentage who rate WorkSafeBC's public contribution as somewhat positive or very positive)	85% or more	91%	85% or more	86% or more	86% or more
8. Achieve 100 percent of the target asset level (actual asset value as a percentage of target asset level)	94%	93%	89%	89%	89%
9. Attain an aggregate premium rate between $1.25 and $2.25 (aggregate premium rate per $100 of assessable employer payroll)	$1.45	$1.51	$1.51	$1.56	$1.62
10. Control administration costs (administration costs per $100 of assessable employer payroll)	$0.36	$0.34	$0.36	$0.36	$0.35
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of claim issues leading to overturned decisions due to error in application of law and/or policy)					
Review Division	2.0% or less	1.1%	2.0% or less	2.0% or less	2.0% or less
WCAT	2.5% or less	1.4%	2.5% or less	2.5% or less	2.5% or less

Performance Targets and Results

Key objective/performance indicator #1: Reduce the provincial injury rate[9]



* These figures were restated from those reported in the 2010 annual report due to a change in the data warehouse (the difference is 0.01 each year)

Importance

WorkSafeBC's top priority is preventing work-related injury, disease, and death. The organization gauges its progress by measuring the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment.[9] The lower the rate, the lower the human cost paid through work-related injuries and deaths.[10]

Setting targets

Fluctuations in the provincial injury rate are influenced by a number of factors, including changes in economic activity, industry practices, and the risk of injury in each sector. The provincial injury rate is a composite figure based on injuries experienced in all sectors. To set targets, WorkSafeBC examines the current injury rate in each sector and estimates the impact that programs, initiatives, and changes within a sector will have on the injury rate in the coming year. The weighted average of these sectoral injury rates is the provincial injury rate target.

While WorkSafeBC has used the same criteria to measure the injury rate target from year to year, changes in economic activity can influence the results over time[11]. The following table shows the estimated change in the 2011 injury rate for each sector, compared with the final injury rate for 2010.

Injury rate by sector

Sector	Injury rate for 2010	Estimated change in 2011[12]
Primary Resources	2.6	Higher
Manufacturing	3.3	Higher
Construction	4.3	No change
Transportation and Warehousing	4.9	Higher
Trade	2.1	No change
Public Sector	3.8	No change
Service Sector	1.6	No change

Performance highlights

After experiencing the lowest injury rate in history of 2.27 in 2010, the provincial injury rate has increased slightly to 2.34 in 2011. Considering the gradually recovering British Columbia economy and modest growth in employment, the small increase is still an accomplishment. WorkSafeBC believes workers, employers, and other stakeholders take pride in knowing that their prevention efforts — along with those of WorkSafeBC — help to achieve and maintain this low injury rate.

The provincial injury rate has been steadily improving over the past several years (with the exception of a slight increase from the 2010 rate to the 2011 rate). While the general progress in this area is encouraging, the rate of serious injury has not declined as quickly.

Going forward, WorkSafeBC plans to continue to focus on serious injuries (see page 28). Although serious injuries are a small component of the provincial injury rate, work-related fatalities continue to concern all workplace participants and WorkSafeBC. In 2011 there was a 4 percent increase in the number of WorkSafeBC claims; however, the number of fatalities in B.C. remains almost unchanged from the previous year. Even one workplace death is too many and, sadly, there were 142 fatalities in 2011 (143 in 2010). Fifty percent of those fatalities were related to occupational disease — many resulting from workers' exposure to asbestos 20 to 50 years earlier.

Unfortunately, the number of fatalities related to occupational disease remains high. This continues a long-term trend that makes occupational disease fatalities — primarily driven by asbestos-related disease — the single highest cause of work-related death in British Columbia. In 2011, WorkSafeBC continued supporting research, outreach, and enforcement activities to improve awareness, detection, and prevention of exposures causing occupational disease.

Major programs and strategies

To achieve its objective of preventing work-related injury, disease, and death, WorkSafeBC takes the following three-pronged approach:

- **Enforcement** — WorkSafeBC is mandated to ensure employers comply with the *Workers Compensation Act* and the Occupational Health and Safety Regulation and related policy. WorkSafeBC ensures compliance by conducting workplace inspections and issuing written orders, warning letters, and penalties.
- **Consultation and education** — WorkSafeBC works with employers, workers, labour unions, and other stakeholders to improve workplace health and safety in B.C.
- **Incentives** — WorkSafeBC provides financial incentives for workplace health and safety management systems, return-to-work programs, and demonstrated improvements to safety performance.

WorkSafeBC's strategies focus on the following activities:

High-risk Strategy

Under this strategy, WorkSafeBC identifies sectors and sub-sectors with high risk of injury[2] and significant contribution to the provincial injury rate. WorkSafeBC then examines factors that could affect these industries' safety performance — from poorly performing Classification Units (CUs) and sub-sectors, to specific employers or locations, types of work, and injury types — and applies resources and effort where they will be most effective.

Given the complexity and diversity of activities across many industry sectors, the strategy takes a multi-disciplinary, holistic, team approach, making effective use of WorkSafeBC resources such as enforcement, information tools, education, industry outreach and claims management to address poor safety performance.

In 2011, WorkSafeBC's multi-disciplinary teams continued focusing efforts on four primary high-risk industries (construction, health care, forestry, and manufacturing) and four secondary, high-risk industries (agriculture, fishing, oil and gas, and transportation).

Partnerships for safety

In 2011, WorkSafeBC funded 12 safety associations, including the BC Forest Safety Council and the BC Construction Safety Alliance. Currently, one new health and safety association is under development. WorkSafeBC also provided funding to 29 industry health and safety initiatives for programs such as: Health and Safety in Action in Healthcare; the Traffic Control Person training and certification program; and the Shift into Winter campaign which promotes safe winter driving and is now in its third year. In July 2011, three health care projects sponsored by WorkSafeBC were honoured at the fifth annual Excellence in BC Health Care Awards.

Partners in Injury and Disability Prevention

This program promotes and supports the use of effective safety management systems. It provides incentive payments to employers who implement a health and safety management system that is confirmed through an audit and certification process. WorkSafeBC funds nine certifying partners (primarily safety associations) that administer the program for their industries. As of December 2011, more than 4,000 companies had received their Certificate of Recognition (COR).

Small Business

More than 90 percent of firms registered with WorkSafeBC are small (having fewer than 20 workers). These employers, from all sectors of the economy, are less likely to have specialized information and training in occupational health and safety, and are often unaware of the requirements of the Occupational Health and Safety Regulation under this program.

The WorkSafeBC Industry and Labour Services (ILS) department partners with boards of trade and industry associations (such as the Coalition of BC Businesses and other restaurant, and hotel associations), provides opportunities to disseminate specific occupational health and safety materials. The ILS department also delivers occupational health and safety presentations at annual meetings of industry associations, conferences, and trade shows.

Focus on Safety

Under the Focus on Safety program, WorkSafeBC officers work to build sustainable safety cultures and improve performance in companies that have a disproportionately negative influence on the provincial injury rate.

In 2011, WorkSafeBC continued developing relationships with management and executives interested in creating programs to improve workplace health and safety. Through these programs, employers reduced the financial costs associated with workplace injuries, while increasing morale, employee retention, and even productivity. This year, Focus on Safety demonstrated it is possible to sustain these results over time. Since 2007, the 27 companies that have completed the program have reduced the number of time-loss claims due to injury by an average of 54 percent. Moreover, they have achieved these reductions while their payrolls have increased by 11 percent.

Outreach programs and materials

WorkSafeBC's many outreach programs are designed to foster safety across a wide variety of B.C. workplaces and demographics. In 2011, WorkSafeBC participated in several community and industry forums and more than 120 trade shows and conferences. WorkSafeBC is recognized as a world leader in developing occupational health and safety materials and making them available online.

In 2011, the organization launched its new online course, Supervising for Safety; released 20 new videos and more than 30 new publications; and made numerous updates to existing materials. WorkSafeBC now offers many videos and publications in languages beyond English, including Chinese (simplified and traditional), French, Korean, Punjabi, Spanish, and Vietnamese. Further, WorkSafeBC has entered into strategic engagements with several large employers, including the five provincial health authorities, to reduce injury rates and claim life-cycle time, focus on safe return to work and encourage a safety focused culture.

Young and vulnerable workers

In 2010, the most recently available injury rate for young workers (age 15–24) is the lowest it has ever been. This can be partly attributed to the many targeted programs WorkSafeBC has developed over the past 10 years to reach this segment of the population. In 2011, an apprenticeship portal, targeted at young workers, was launched at the British Columbia Institute of Technology. The portal includes current health and safety resources for employers, teachers, and students in specific industries. Approximately 45 percent of all apprentices are young workers.

WorkSafeBC has also expanded its reach to vulnerable workers, including new immigrants and foreign temporary workers. This year, WorkSafeBC partnered with the Consulate General of Mexico and the Government of Mexico's Ministry of Labour to create a health and safety awareness training program for the approximately 3,500 seasonal agricultural workers who come from Mexico to work in B.C.

Looking ahead

In 2010, the provincial injury rate dropped to a record low of 2.27, and then inched up slightly to 2.34 in 2011. Since the injury rate is a composite measure — based on injuries occurring in all sectors — achieving reductions is a continual challenge. Short-term economic conditions and changes in the mix of industry may put upward pressure on this rate. As such, the target has been set at 2.6 or less for 2012 to 2014. Despite being higher than the 2011 result, these targets are ambitious, and will require significant effort to sustain.

Prevention of injuries — with an emphasis on preventing serious injuries and fatalities — is WorkSafeBC's top priority. WorkSafeBC is optimistic that further gains can be made over the long term by maintaining a consistent approach to injury prevention, focusing increased attention on problem areas and, specifically, targeting reductions in serious injuries.

In 2012, WorkSafeBC will continue targeting reductions in serious injuries and fatalities in sectors, and with employers, that incur a higher-than-average number of injuries. Taking this approach, WorkSafeBC allocates injury prevention resources to high-risk sectors — including construction, health care, forestry, manufacturing, agriculture, fishing, oil and gas, and transportation — tailoring prevention strategies to each sector's unique needs.

In 2012, to reduce workplace injury, disease, and death WorkSafeBC will continue focusing on working with business and labour partners to support new and young workers; addressing the risks of occupational disease; and increasing each sector's ownership and accountability. To ensure WorkSafeBC's safety message reaches the province's diverse workforce, safety information will be provided, whenever possible, to workers in their first language. WorkSafeBC will also continue supporting injury-prevention education

and awareness initiatives through a multi-year, targeted communications strategy.

WorkSafeBC's goal is to create a strong safety culture in B.C., reducing work-related injuries and raising occupational health and safety concerns so they are top of mind for all working British Columbians.

Serious injury rate*

Life-altering incidents demand special attention. While lower injury rates can be achieved by reducing all types of injuries, WorkSafeBC is particularly concerned with lowering the rate of serious injuries. To reflect this commitment, in 2008 the organization developed a measure to track the most serious injuries to monitor the success of its prevention strategies in this area.

The serious injury rate[13] is a subset of the provincial injury rate. The serious injury rate for 2011 is 0.84 per 100 person years of employment; in other words, about one-third of claims met the criteria for a serious injury. Throughout the year, the relationship between the provincial injury rate and the serious injury rate remained relatively stable.

The serious injury rate is calculated as follows:

The denominator is the number of person-years of WorkSafeBC-covered employment.

The numerator[14] is claims with at least one of the following criteria:

- The claimant received at least 28 days of wage-loss benefits during that period
- The claimant required extensive hospitalization or medical services
- The claim is a fatality
- The claim met one of 275 specific diagnostic codes identified by WorkSafeBC's medical and occupational safety professionals as being the most life-threatening or life-altering conditions of those listed in the ninth revision of the International Classification of Diseases, developed by the World Health Organization. These codes are commonly referred to as ICD-9s.

For more information about the serious injury rate, see *WorkSafeBC Statistics 2011* at WorkSafeBC.com.

* The methodology for calculating the serious injury rate is currently under review and may be revised in 2012.

Key objective/performance indicator #2:

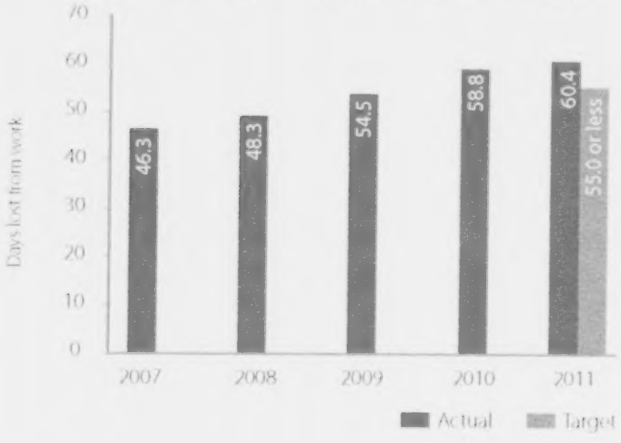
a) Reduce the average short-term claim duration

b) Improve return-to-work outcomes

In 2011, the Board of Directors approved a new strategic plan that included a change in the focus of key objective/performance indicator #2. For 2011 and past periods, this measure focused on the average duration of claims represented by the number of days with paid benefits. For 2012 and going forward, the new KPI 2 will be return-to-work outcomes.

Average short-term claim duration, referenced here as KPI 2a, is discussed first.

2a Average short-term claim duration



Importance (KPI 2a)

KPI 2a (short-term claim duration) measures how well WorkSafeBC's claim management teams facilitate safe and durable return to work after a worker is injured.

Average short-term claim duration is the average number of days lost from work as a result of work related injury, illness, and disease.[15] When an injury occurs, WorkSafeBC's claim management teams aim to provide workers with timely clinical and other support services. Experience shows that workers benefit most from returning to work as soon as is safely possible; this is supported by evidence which shows that workers who are away from their jobs longer find it more difficult to return to work.

Setting targets (KPI 2a)

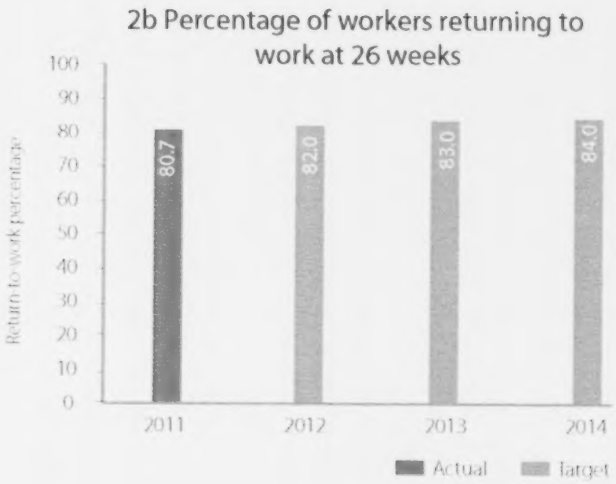
For KPI 2a (short-term claim duration), target setting depended on a number of factors, such as the nature of the injury, age, gender, and the injured worker's transferable skills. Other external factors could also influence the time required to process and complete a claim, including the timeliness of treatment and adjudication of the claim, availability of return-to-work opportunities, the general mix of claims accepted by WorkSafeBC at any given time, and the volume of claims from specific industry sectors. No targets have been set for short-term claim duration for 2012 and going forward in recognition of the new return-to-work outcomes KPI.

Performance highlights (KPI 2a)

In 2011, the average short-term claim duration was 60.4 days — an increase of 1.6 days from the 2010 result. The 2011 result was higher than the target for several reasons. The slow pace of economic growth in 2011 continued to hold duration higher as the economic factors resulted in fewer modified return-to work options, contributing to longer claim duration. Claims are getting more complex, many with multiple issues that take longer to resolve, resulting in longer overall duration.

At the Board of Directors' request, WorkSafeBC will continue to track the short-term claim duration measure for the foreseeable future.

Return-to-work outcomes, referenced here as KPI 2b, will be the measure used on a go-forward basis.



The short-term claim duration measure (KPI 2a) is a lagging indicator and it is difficult to link duration results directly to operational activities. The new return-to-work measure (KPI 2b) better reflects the goal of claim operations to assist injured workers to return to work. With a renewed focus on early, safe, and durable return to work, the new KPI is more relevant, easier to understand, and allows for direct and timely monitoring of our success in assisting workers to return to work.

Importance (KPI 2b)

The return-to-work outcomes KPI is the percentage of workers voluntarily returning to work within 26 weeks from the date the worker had to stop working because of injury.

The 26-week milestone was chosen to enable WorkSafeBC to monitor the outcomes of early intervention initiatives primarily designed to assist workers to return to work with their accident employer. It is within this period that claim management teams have the greatest potential to ensure durable return to work.

Setting targets (KPI 2b)

Going forward, WorkSafeBC has factored in the overall economic climate and the ability of employers and workers to engage in return-to-work initiatives, workplace modification, and job accommodation programs to set its targets for the return-to-work outcomes KPI.

Targets have been set for 2012 to 2014 using a baseline of 80.7 percent for 2011. This target will be adjusted annually for changes in economic indicators.

Performance highlights (KPI 2b)

As 2011 was a baseline year for the return-to-work outcomes measure, no targets were set for this year.

Major programs and strategies

While the measurement methodology has changed, the goal of both KPI 2a (short-term claim duration) and KPI 2b (return-to-work outcomes) remains the facilitation of safe and durable return to work after a worker is injured. Therefore, in 2011, WorkSafeBC continued to employ the following strategies in support of both KPI 2a and KPI 2b, to assist and support injured workers in their return-to-work:

- **Nurse advisor assistance** — Nurse advisors assist with return-to-work planning by supporting injured workers during the first eight weeks of their claims.

- **Nurse line for construction industry** — A dedicated nurse line for the construction industry provides employers with direct phone access to nurse advisors with construction expertise to facilitate return-to-work planning.
- **Clinical programs** — A series of programs customized to meet the individual needs of workers in a more timely fashion, reduces wait times to process claims.
- **Industry segmentation** — WorkSafeBC staff work to identify and respond to the unique needs of specific industries. This means staff have gained greater overall knowledge about those industries. Consequently, WorkSafeBC staff are better equipped to assist workers and employers in overcoming return-to-work barriers in these specific industries.
- **Dedicated health care teams** — These teams work with the provincial health authorities to improve service in the health care sector and facilitate earlier return to work.
- **Resources for serious injuries** — Claims that meet the serious injury rate criteria tend to require longer periods of recovery. WorkSafeBC will continue allocating additional resources to identify the sources and causes of these injuries to reduce their frequency and impact on workers — including the duration of disabilities.

Research has shown that health and employment outcomes for injured workers who are off work for long periods of time are generally worse than for those with shorter disability durations.

In 2011, additional strategies were developed to help workers achieve safe and durable return-to-work outcomes. Pilot projects expanding the role of nurse advisors and promoting early entry of back-injured workers to therapy showed promising results.

Looking ahead

WorkSafeBC will continue to employ an early intervention model that allows WorkSafeBC nurse advisors and, if required, vocational rehabilitation consultants, to support injured workers earlier in the claim process. Through hands-on implementation of return-to-work programs and disability management systems, the work of these specialists is expected to facilitate early return to work. However, the success of this approach remains closely linked with the availability of return-to-work options in B.C. workplaces. To counter the effect of future employment losses, WorkSafeBC continues to strengthen partnerships with individual employers and industry associations to increases successful return-to-work opportunities.

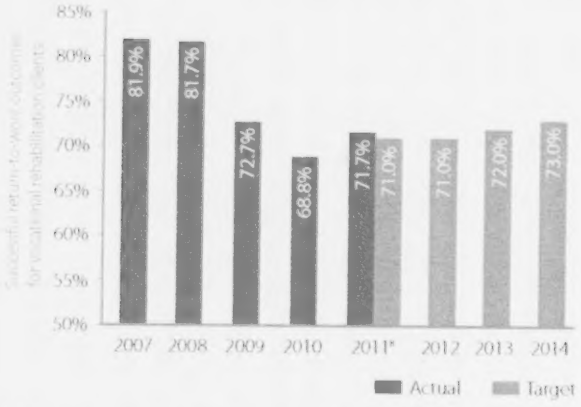
WorkSafeBC continues to refine case management strategies to improve return-to-work outcomes. In addition to ongoing approaches, the following new initiatives will be implemented in 2012:

- **Expansion of return-to-work services** — The role of WorkSafeBC nurses is being expanded to enable them to more effectively facilitate a return to work for injured workers with muscular skeletal (strain) injuries. WorkSafeBC nurses will become claim owners and decision-makers for selected claims, applying an early intervention methodology. By speaking to the worker's doctor the nurse will determine the worker's physical restrictions, and then work with the employer and injured worker to facilitate the worker's return to modified and, eventually, full duties. Nurses will make early referrals to the appropriate physical rehabilitation programs to ensure injured workers receive treatment when it has the greatest likelihood of success.
- **Early intervention on construction claims** — This program will ensure workers receive return-to-work assistance before their claims have been assessed as part of the initial entitlement decision. For those specific construction employers with modified work programs available, WorkSafeBC's nurse advisors will contact the treating physician, the injured worker, and the employer to facilitate the worker's safe and timely return to work. An early and safe return to work is in everyone's best interest; the employer retains a valued employee, and the injured worker recovers fully while being back at work, without having to seek new employment in a difficult labour market following his or her recovery.
- **Additional quality and oversight resources** — To improve case management outcomes through a Quality Initiative.
- **Case management best practices** — These practices identify and reinforce best practices to improve case management outcomes.

With a continued focus on case management outcomes and a renewed focus on return to work, targets for the return-to-work outcomes at 26 weeks are set at 82 percent for 2012, 83 percent for 2013, and 84 percent for 2014.

Key objective/performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes



* Based on the inverse correlation of the return-to-work outcome to the B.C. unemployment rate, the 2011 target was set at 70 percent (based on the then 2010 rate of 7.8 percent unemployment), increasing to 73 percent if 2011 unemployment improved to 7 percent and decreasing to 67 percent if unemployment worsened to 8.5 percent. The provincial 2011 unemployment rate was 7.5 percent which sets the 2011 target at 71 percent.

Importance

The main goal of vocational rehabilitation is to ensure workers return to work as quickly, safely, and successfully as possible. Without assistance, many workers with catastrophic, severe, and complex injuries will have great difficulty returning to work.

Historically, about 5 percent of all injured workers with wage-loss claims — approximately 3,000 workers a year — are referred to WorkSafeBC's vocational rehabilitation program for assistance with returning to work. The program eases the transition back to work by offering workers counselling, vocational assessment, knowledge training, skill development, and job placement support. To measure the effectiveness of its efforts, WorkSafeBC tracks and records the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by Vocational Rehabilitation Services.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as it is safely possible. However, workers referred to the Vocational Rehabilitation Services program have often suffered complex injuries that preclude a successful return to work, so the program is unlikely to achieve a 100 percent success rate. Some studies suggest it might be more reasonable to expect two-thirds to three-quarters of all referred workers to successfully regain employment. WorkSafeBC's current return-to-work targets reflect management's best expected outcomes, based on an assessment of its current programs, strategies, and projected employment opportunities (assuming a relatively similar mix of claim referrals from year to year).

Performance highlights

In 2011, WorkSafeBC achieved a return-to-work success rate of 71.7 percent. Against the backdrop of low economic growth, this 2011 result has shown an improvement of 3 percentage points over the previous year. Vocational rehabilitation consultants helped 1,983 workers return to suitable employment (up from 1,558 in 2010). Approximately 48 percent of these workers returned to work with new employers or became self-employed.

Successful return-to-work results are contingent on the availability of meaningful work. In previous years, results were exceptional given the abundance of employment opportunities in the province, with unemployment rates ranging from 4.3 to 5.8 percent. This growth in the workforce enabled WorkSafeBC to exceed its targets for three consecutive years from 2006–2008. However in the last few years, starting in 2009 and continuing into 2011, the economic landscape changed; unemployment rates increased to more than 7.7 percent, then slowly crept back to hover around an average of 7.6 percent.

Economic recovery has been slow, resulting in fewer, safe, sustainable, return-to-work opportunities. WorkSafeBC set the return-to-work target to 71 percent or more, reflecting more reasonable expectations of a good result in a normal-paced economy.

Major programs and strategies

WorkSafeBC works closely with injured workers, physicians, employers, unions, and others to create return-to-work programs customized to meet the unique needs of workers. Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education. WorkSafeBC's vocational rehabilitation staff also works with the most severely injured workers to assist them in returning to work.

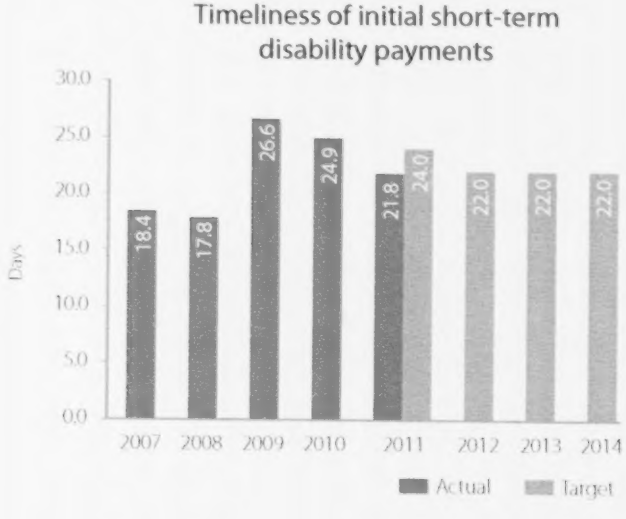
Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the

same job, a modified version of the same job, or a similar role. If this is not possible, WorkSafeBC's Employment Development and Placement (EDAP) tool offers other employment options and helps WorkSafeBC vocational rehabilitation consultants and their clients in identifying new job opportunities and offering employers incentives to offset the costs of hiring and training employees involved in return-to-work programs. These incentives can include a brief and completely funded work assessment; a cost-shared, on-the-job training program; worksite modifications; and/or tuition costs for job-related courses.

Looking ahead

A vibrant economy requires a skilled labour force. In previous years, the demand for such resources played a major role in the success of return-to-work initiatives. This being said, factors such as a sluggish economy and the demands of an aging workforce have changed the employment landscape. WorkSafeBC has adopted more conservative return-to-work targets and will, in 2012 and beyond, strive for a return-to-work rate of 71 percent or more. The targets are set at 71 percent for 2012, 72 percent for 2013, and 73 percent for 2014. For returning workers who remain employed, these targets will be achieved through continued early intervention programs and expanding incentive programs to encourage employers to be more actively involved in the return-to-work process.

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments



Importance

Many of B.C.'s injured workers rely on benefits from WorkSafeBC to sustain themselves and their families until they are able to return to work. To measure whether injured workers receive their first short-term disability payments on time, WorkSafeBC calculates the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and the date the first payment is made. WorkSafeBC aims to disburse disability payments to injured workers as quickly as possible, without compromising the adjudication process. However, a number of external factors can affect the timeliness of compensation payments, such as the time workers, employers, and health care providers take to register their claim information with WorkSafeBC.

Setting targets

Historically, WorkSafeBC maintained timeliness between 16 and 22 days. In implementing a new claims management system and business process in 2009, timeliness was expected to be in the 24 to 25 day range — consistent with the 2010 result. Based on a decision to delay adjudicating claims until all critical information is on file, the average lapsed time for the first payment has increased — a shift that places greater responsibility on both the employer and the worker to submit claim information in a timely manner.

WorkSafeBC has validated with our customers that timeliness of three to four weeks is appropriate. Surveys indicate more than 80 percent of clients are satisfied — with ratings of very good, good, or average — if average timeliness is in the 24- to 25-day range.

With the improvement in timeliness achieved in 2011, for the 2012 to 2014 period the target for payment timeliness has been reduced to 22 days.

Performance highlights[16]

In 2011, timeliness improved to 22 days — a reduction of three days compared to the 2010 result. Although timeliness is at the high end of WorkSafeBC's historical norms, the 2011 result has shown a marked improvement the previous year — well under the target of 24 days. This reduction in timeliness was due to various business process improvements that resulted in more timely decisions in the adjudication process.

Major programs and strategies

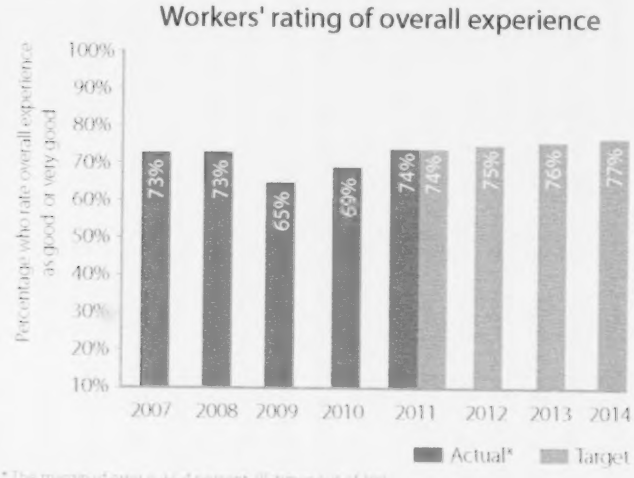
To improve initial adjudication timeliness, efforts continue to promote increased use of Teleclaim (by workers) and the online portal (by employers). Teleclaim assists workers in submitting their claim information. Meanwhile, more employers are using the online portal to report injuries, streamlining overall claims information-gathering.

Use of the Language Line continues to increase, enabling clients to communicate with WorkSafeBC in their preferred language.

Looking ahead

Going forward, WorkSafeBC will continue striving for service and quality improvements in the adjudication process.

Key objective/performance indicator #5: Improve injured workers' rating of overall experience



* The margin of error is +/- 4 percent, 95 times out of 100.

Importance

WorkSafeBC strives to deliver timely, caring, personalized service that meets or exceeds the expectations of injured workers. To measure its performance, WorkSafeBC conducts random surveys of 100 injured workers (eight times per year), to gauge their impressions of the organization and the level of service provided by WorkSafeBC staff.[17]

The main indicator of success is how injured workers rate their overall experience with WorkSafeBC. The measure is based on a five-point scale, from very poor to very good. The result is expressed as the percentage of injured workers who rate their experience as good or very good.

Setting targets

WorkSafeBC is mandated to provide fair compensation for workplace injury, illness, disease, and death within the boundaries set by law and policy. Given the adjudicative nature of this mandate, it is unlikely that all injured workers will agree with all decisions made regarding their claims. Also, the effort to return injured workers to employment can become more challenging as claim duration increases. As such, it is unrealistic to expect all injured workers will rate their overall experience as good or very good. WorkSafeBC is committed to delivering excellent service, but realistically estimates peak performance to be about 77 percent of injured workers rating their overall experience as good or very good.

Performance highlights

In 2011, a record-high 74 percent of injured workers rated their overall experience with WorkSafeBC as either good or very good — up from 69 percent in 2010, and equal to the target for the year. Sixteen percent of injured workers rated their experience as average, while just over 10 percent rated their experience as poor or very poor.

Injured workers who were in the Initial Adjudication stage of the claim process gave WorkSafeBC the highest overall experience rating of 91 percent, up from 82 percent the year before. In Entitlement, a latter stage in the claim process, 74 percent of injured workers with allowed claims rated their experience with WorkSafeBC as good or very good, up from 64 percent the year before. Seventy-three percent of injured workers in Case Management rated their overall experience with WorkSafeBC as good or very good, up from 68 percent the year before. And 30 percent of injured workers whose claims were disallowed rated their overall experience as good or very good, compared with 15 percent in 2010.

The majority of injured workers who rated their experience with WorkSafeBC as good or very good said it was because of the helpful, courteous, patient, and cooperative service they received from WorkSafeBC claim staff.

Major programs and strategies

In 2009, WorkSafeBC introduced its new Claims Management Solutions system (CMS), improving WorkSafeBC's ability to provide better service to injured workers over the long term. However, the initial changeover to implement the new system took longer than anticipated, creating service backlogs that carried over from 2009 to 2010. Those challenges impacted the

overall experience rating, which were lower than expected for both years.

By early 2011, WorkSafeBC overcame CMS-related delays as staff became more adept at using the system, while a number of targeted strategies put into place in recent years continued to reduce service backlogs.

In 2011, WorkSafeBC introduced a number of system enhancements to further improve CMS, developed with extensive input from front-line staff. Changes were designed to streamline parts of CMS relating to return-to-work planning, thus reducing the volume of overpayments and underpayments made to injured workers; providing increased transparency; and improving the system's overall ease of use — giving WorkSafeBC employees more time to serve their clients.

Throughout 2011, WorkSafeBC continued matching injured workers with specialized, industry-aligned teams and introducing nurse advisors into the claim process earlier, helping with safe and timely return to work.

WorkSafeBC also filled a number of vacant claim-related positions in 2011, increasing the number of nurse advisors, case managers, and vocational rehabilitation consultants available to serve injured workers.

In recent years, WorkSafeBC has enhanced its Special Care Services team to provide more holistic support to severely injured workers (those with permanent, life-altering injuries, such as spinal cord injuries, catastrophic burns, amputations, and brain injuries). In 2011, Special Care Services introduced a number of new strategic initiatives to better support its clients (see page 131).

WorkSafeBC continues using feedback collected through the Voice of the Customer (VOC) program to better understand the needs of its customers (see page 133). As part of the VOC program, WorkSafeBC surveyed more than 6,000 injured workers in 2011, tracking service ratings on an office-by-office basis, identifying areas of strength, and highlighting opportunities for improvement.

VOC research allows WorkSafeBC to better tailor its business decisions to meet the needs of workers and employers and improve service across all areas. Feedback from the program is integrated into various levels of training and professional development for WorkSafeBC employees. In 2011, for example, all new claim adjudication staff observed focus groups with injured workers to hear first-hand accounts of the workers' experiences with WorkSafeBC.

Looking ahead

As WorkSafeBC continues refining CMS, and WorkSafeBC employees hone their expertise on the system, service is expected to improve. In the coming years, WorkSafeBC anticipates capitalizing on the new system's full potential, leading to faster decision making on routine claims, better resource allocation, and improved quality and consistency of decision making for injured workers (see page 131).

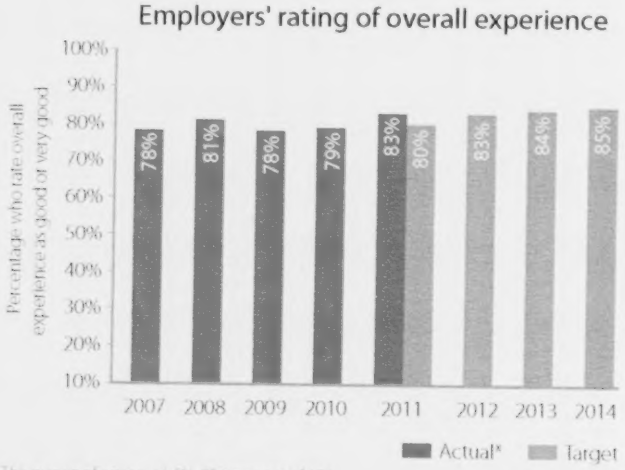
In 2012, WorkSafeBC will roll out a number of new service-related initiatives for injured workers, including expanding the role of nurse advisors. This will give WorkSafeBC nurses increased decision making authority and claim-ownership responsibilities, allowing them to provide better service and return-to-work support to their clients. The change will also reduce the volume of work routed to case management, thereby giving case managers more time to serve injured workers with more complex claims.

For workers with serious injuries, WorkSafeBC will continue bolstering its Special Care Services team, to ensure that quality care, support, and decision making is provided in a consistent, timely, and cost-effective manner throughout the province. WorkSafeBC will also expand a new service model for permanently injured workers, designed to streamline the disability award process, reduce handoffs, and deliver pension decisions to workers significantly faster than before.

Two factors that pose the greatest challenge to improving the injured worker experience rating are claim volume and duration. Over the next few years, WorkSafeBC anticipates a modest increase in claim volumes as B.C.'s economy continues to recover from the recession. But if claim volume rises faster than expected, service to injured workers could suffer. Similarly, a significant increase in duration could put increased demands on WorkSafeBC's return-to-work staff, resulting in higher caseloads and less time to respond to workers' individual needs. WorkSafeBC will continue mitigating these risks through targeted prevention initiatives (see pages 26-27) and duration-reduction strategies (see pages 29-30).

Taking these and other factors into account, WorkSafeBC is targeting a one-point increase to the overall experience rating in 2012 — with 75 percent of injured workers rating their overall experience as good or very good. WorkSafeBC will strive to increase the rating to 76 percent in 2013, and reach peak performance, 77 percent, in 2014.

Key objective/performance indicator #6: Improve employers' rating of overall experience



* The margin of error is +/- 5%, 95 times out of 100.

Importance

WorkSafeBC is committed to providing excellent customer service to employers through its core functions of prevention, assessment, and compensation. To measure performance in these areas, WorkSafeBC surveys 500 employers per year.[15] The sample is drawn from employers with two or more claims in the previous 12 months.

For WorkSafeBC, the key indicator of success here is reflected in employers' ratings of their overall experience with our organization, including the claim process, inspections, premiums — and WorkSafeBC. Employers are asked to rate their overall experience as very good, good, average, poor, or very poor. Success is determined by the percentage of respondents who rate their overall experience as good or very good.

Setting targets

In setting targets for improving employers' overall experience, WorkSafeBC considers its prior performance as well as any anticipated operational challenges (such as changes in business processes, rates, claim volume, and staff availability) resulting from the current and future economic environment. Taking these factors into account, and considering WorkSafeBC's mandate as a regulatory and adjudicative body, WorkSafeBC estimates its peak performance among employers to be at an overall experience rating of about 84 percent good or very good.

Performance highlights

In 2011, a record-high 83 percent of employers rated their overall experience with WorkSafeBC as good or very good; this was up four points from 2010, and surpassed the target of 80 percent for the year.

This improvement was primarily driven by an increase in good and very good ratings from small employers, which jumped eight points (from 73 percent in 2010 to 81 percent in 2011). The score from medium-size employers increased to 84 percent, up from 80 percent the year before. Ratings from large employers also improved, up to 85 percent in 2011 versus 84 percent in 2010.

The three areas of WorkSafeBC's business that primarily shape employers' overall experience are the claim process, workplace inspections, and premium costs. Of those three areas, employers' ratings of the inspection process improved the most in 2011.

In 2011, a record-high 75 percent of employers rated the value provided by workplace inspections as good or very good (up six points from 2010, and a 25-point increase over the initial score in 2005). The majority of employers surveyed (76 percent) felt the inspections helped them establish safer work practices.

In the area of claims a record-high 73 percent of employers rated the claim process as good or very good, a four-point improvement over the previous year, and a 22-point improvement over the 2005 score. Employers were particularly impressed by members of the WorkSafeBC claim team and the straightforward online claim form submission.

Eighty-six percent of employers said they received average, good, or very good value for their premium payments in 2011, up two points from 2010, and 20 points above the initial result of 66 percent in 2005. The score has increased due to WorkSafeBC's ability to maintain low, stable, aggregate rates during a period of economic uncertainty over the past few years (see KPI #9 pages 41-43).

Major programs and strategies

In 2011, WorkSafeBC improved the overall experience rating of employers through the collective efforts of staff and key ongoing initiatives, either directly or indirectly aimed at improving service for employers.

Throughout the year, WorkSafeBC continued consulting with employers, providing education and support, and maintaining

partnerships aimed at improving safety, lowering claim duration, and reducing claim costs.

In June 2011, WorkSafeBC introduced a major upgrade to the employer portal — an online channel for employers to report and manage their claims electronically. A number of new features were added to the portal, including an online claim cost report and a business planning toolkit. The toolkit provides employers with access to a rich set of data, including peer-to-peer comparisons on health and safety measures and specific information on how safety improvements could affect a company's bottom line.

As part of the portal upgrade, employers can now complete and submit many documents through the site. Other documents can be uploaded to WorkSafeBC directly via the employer's software. In the past, employers had to fax these documents to WorkSafeBC — a process that generally took longer and often resulted in lost information.

In surveys conducted with employers in 2011, a record-high 77 percent said WorkSafeBC's website was a useful tool that assisted them in working with WorkSafeBC. Further, 82 percent of employers were pleased with how easy it was to submit claim information online.

This improvement in the employer experience score can also be attributed, in part, to improvements in claim processing. Over the past few years, WorkSafeBC employees have become increasingly proficient with the CMS claim management system (see page 131). In 2011, WorkSafeBC also introduced a number of enhancements to streamline workflow, allowing claim staff to dedicate more time to employers and injured workers. Employers, in turn, rated several aspects of the claim process higher than ever before, including the timeliness of return calls from WorkSafeBC and the opportunity to provide input on how an injury occurred.

Employers also continued to benefit from the segmentation initiative, an approach aligning teams of WorkSafeBC employees with specific industries. These teams have developed industry-specific expertise enabling them to better understand the unique job and worksite requirements associated with sector employers.

In the area of prevention WorkSafeBC has made a concerted effort to improve the workplace inspection experience for workers and employers over the past few years. Through the Voice of the Customer program (see page 133), WorkSafeBC measures and analyzes how to best deliver service during the inspection process — without subjugating its enforcement mandate. WorkSafeBC's research in this area has provided valuable insights into how to improve the inspection experience for employers while engaging them as partners in the safety process. These insights have been shared with prevention officers so they can be incorporated and taken into the field when they are working with employers on an inspection.

The overall experience of employers is also strongly influenced by premium costs. In 2011, WorkSafeBC maintained a historically low base premium rate through its targeted prevention initiatives, a continued focus on safe and early return to work, and prudent investment strategy (see pages 60-61).

Looking ahead

In 2011, WorkSafeBC achieved its highest-ever overall experience rating from employers.

As this result is already estimated to be in the peak range of performance, it will become increasingly difficult to achieve further increases over the short term.

One factor that could potentially diminish the employer experience rating is the cost of employer premiums. When rates are low, employers tend to have a more favourable view of the service provided by WorkSafeBC. When premium costs are higher, employer views of the organization tend to dampen. Over the past several years the published base premium rate has been at its lowest level in decades. But with recent increases to claim duration, and continuing economic turmoil exerting upward pressure on the cost of premiums, WorkSafeBC forecasts modest increases to the base rate beginning in 2013 (see page 41).

To mitigate the risk of further premium increases, WorkSafeBC will provide prevention programs that ensure WorkSafeBC inspectors focus first on worksites most in need of enforcement and safety support. WorkSafeBC will also continue working with employers to support improved health and safety performance, disability management, and return to work, thereby helping control claim costs. However, any further significant declines in the investments markets or higher-than-expected vocational rehabilitation costs due to reduced return-to-work job opportunities could result in increased rates for some employers.

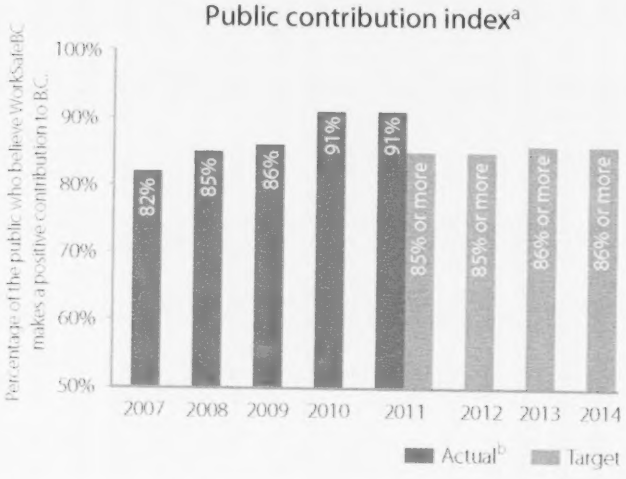
Aside from controlling costs, there are a number of other areas where WorkSafeBC believes it can enhance its service to employers over the next few years.

In 2011, WorkSafeBC initiated a new research study aimed at determining how closely employers' expectations align with WorkSafeBC's own perceptions of service. As part of the study WorkSafeBC surveyed 2,035 employers and asked them to rate the importance of, and their satisfaction with, key service touch points. WorkSafeBC then surveyed its own frontline employees on their perceptions of what is important to employers. By analyzing the gaps between the two sets of responses, WorkSafeBC has established a framework for better aligning its services with employer expectations. For 2012 and beyond, these findings will help the organization set service priorities for employers.

As WorkSafeBC continues refining its claim management system, employers should benefit from faster decisions, more communication, and new online tools for managing claims. WorkSafeBC will also continue building on its Voice of the Customer research, exploring how to best engage employers while building partnerships in support of improved health and safety and return to work.

Taking these and other factors into account, and being particularly mindful of potential increases to the base premium rate, WorkSafeBC is aiming to increase the employer overall experience score to 83 percent in 2012, and increasing to a peak rating of 85 percent in 2013 and 2014.

Key objective/performance indicator #7: Raise public confidence



a Public confidence is measured using the public contribution index, as determined by surveys of B.C. residents by Ipsos. The index shows the percentage of those who rate WorkSafeBC's contribution as very positive or somewhat positive.

b The margin of error is +/- 3.5 percent, 19 times out of 20.

Importance

Across the province, WorkSafeBC strives to be recognized by stakeholders and the public as a valued asset. As such, it relies on the trust and support of the larger community to improve workplace health and safety and return-to-work outcomes for injured workers. Increased public confidence in the organization enables WorkSafeBC to deliver its health and safety message more effectively and build durable partnerships with workers, employers, unions, employers' associations, and other workplace participants.

To measure public confidence, WorkSafeBC contracts Ipsos (formerly Ipsos-Reid), and surveys approximately 800 B.C. residents randomly each year, using a survey called the Public Contribution Index. This survey determines how they view WorkSafeBC and its overall contribution to the province. (For this reporting year, residents were surveyed from February 28 to March 7, June 6 to 9, September 19 to 26, and October 31 to November 7) This indicator calculates the percentage of those who rate WorkSafeBC's contribution as very positive or somewhat positive.

Setting targets

Each incremental increase in the index suggests greater public confidence and trust in the organization. WorkSafeBC requires this level of credibility to act as a leader of prevention, rehabilitation, and return to work initiatives.

Targets are set by considering the organization's most recent results and the effect of external factors, with an eye toward long-term improvement. This measure is sensitive to high-profile negative stories that may arise at any time. As a regulatory and enforcement agency it is inevitable that actions or decisions will, from time to time, be perceived as negative — with the potential to drive down results for this measure. Past experience and advice from the survey firm suggests scores of 85 percent positive and above are rare among public regulatory organizations. WorkSafeBC has set 85 percent as its threshold target and is committed to increasing that threshold gradually if performance results of greater than 85 percent are maintained over time.

Performance highlights

In 2011, WorkSafeBC's average public contribution rating continued its all-time high of 91 percent positive — first achieved in 2010 — which also exceeded the increased

target for the year, of 85 percent positive. Of the 3,454 British Columbians who responded to WorkSafeBC's four surveys in 2011, 3,151 of respondents (91 percent) said WorkSafeBC is making a very positive or somewhat positive contribution to the province.

These results reflect a continued positive trend — one that has seen WorkSafeBC's public contribution rating climb progressively from its 51 percent positive rating in 1996 — an increase of 40 points.

Major programs and strategies

WorkSafeBC's public contribution rating is not associated with a specific group of programs or initiatives; rather, it measures British Columbians' perceptions of all aspects of the organization, including WorkSafeBC prevention initiatives, management and adjudication of claims, worker and employer education, return-to-work and rehabilitation programs, customer service, financial stability, communications, and more. The rating reflects on all WorkSafeBC activities summarizing the degree to which WorkSafeBC is viewed — and valued — as contributing to society.

Over many years, WorkSafeBC's extensive public awareness campaigns have very likely contributed to its increasingly strong public contribution rating. In 2011, the Raise Your Hand movement continued raising awareness among young workers about their right to be trained properly and to refuse unsafe work, building on messaging from the 2007–2010 campaigns and underscoring that youth have the right — and responsibility — to ask questions about their personal safety in the workplace.

The campaign encourages young people to visit RaiseYourHand.com, a website where they can learn more about their safety rights, and to raise their hands and ask questions in the workplace in the event they feel unsafe. To support the campaign, in 2011 a young worker team visited major youth festivals and school campuses around B.C. (six festivals, 20 high school campuses and several university campuses), engaging in more than 30,000 interactions with festival attendees.

WorkSafeBC also employed a multi-pronged approach to deliver its safety message to youth, including a young worker speaker program that reached approximately 18,000 participants — mostly in B.C.'s high schools, and a WorkSafeBC/Canadian Paralympic Committee speaker team that reached a further 720 people.

In addition, WorkSafeBC conducted many high-profile awareness campaigns focused on safety issues affecting high-risk industries such as construction, forestry, manufacturing, and health care, as well as campaigns focused squarely on at-risk demographics including professional drivers, roadside workers, and others. In 2011, WorkSafeBC marked the Day of Mourning — an annual campaign honouring workers who have lost their lives as a result of workplace injuries or occupational diseases — by participating in 23 ceremonies across the province, and advertising the initiative on the radio. WorkSafeBC also expanded the health and safety information provided across its seven web portals serving stakeholders whose first language is not English. Another outreach initiative saw WorkSafeBC initiate a 12-week radio campaign on three Lower Mainland Punjabi-language radio stations to raise awareness among Punjabi-speaking farm workers about their basic safety rights.

Looking ahead

When setting targets for 2012 to 2014, WorkSafeBC considered several factors that are likely to put downward pressure on this measure: continuing upward pressure on premiums, consequences of past and current investigations, and the increased potential for unique conditions in the external environment to erode public confidence among them. WorkSafeBC has set new targets in 2013 and 2014 at or near the highest historical levels for this key performance indicator; WorkSafeBC has retained the 2012 target to reflect the potential impact of these factors.

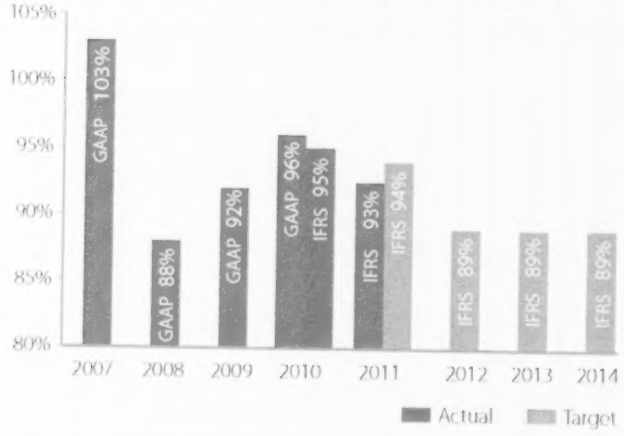
In 2012, WorkSafeBC will continue to create powerful campaigns to capture the attention of our stakeholders and the public, striving to change attitudes and behaviours about workplace safety across all high-risk industries and demographics.

WorkSafeBC will further increase its efforts to reach out to communities whose first language is not English, building a climate of shared ownership and responsibility for occupational health and safety and return-to-work initiatives.

By continuing to express the importance of public safety and provide ongoing service initiatives WorkSafeBC will strive to increase public confidence in the organization, thereby improving the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve 100 percent of the target asset level

Percentage of target asset level achieved*



* The accounting policies used to determine the 2007–2010 figures above were based on Canadian generally accepted accounting principles (GAAP) in place through 2010. Actuals for 2011 and targets for 2011–2014 are based on International Financial Reporting Standards (IFRS), reflecting the adoption of those standards by WorkSafeBC beginning in 2011 (with comparative IFRS figures provided for 2010). 2007–2009 figures were not restated due to the application of IFRS transition adjustment rules as at January 1, 2010.

Background

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level:

Actual assets ÷ Target assets

Actual assets are the total assets held by the organization, as shown on the consolidated statement of financial position (see page 72).

The target asset level is calculated by adding the following three components:

- Total liabilities
- The various categories of reserves appropriated, as described in Note 11 of the consolidated financial statements (see page 104), excluding the Capital Adequacy Reserve
- The target level of the Capital Adequacy Reserve[19] (see Note 11 of the consolidated financial statements, page 105)

This is a variation of the method other Canadian workers' compensation boards and the Association of Workers' Compensation Boards of Canada (AWCBC) use to measure funding adequacy, given that other organizations use only their liabilities as a denominator. Using the AWCBC method and, according to the most recent data available (2010), WorkSafeBC enjoys one of the strongest funded positions of all workers' compensation boards in Canada (see Appendix B, page 126).

Importance

WorkSafeBC has significant fiduciary responsibilities as an insurer, including ensuring the compensation system remains financially viable. A key means of achieving this objective is to target an asset level that is sufficient to fund all future expected payments for current claims while considering risks to the assets and liabilities on hand.

Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments and/or unforeseen costs beyond those assumed in the liabilities. WorkSafeBC invests in a balanced portfolio (see Financial Context, page 12) that includes equity investments — expected to result in higher, long-term returns. Higher returns allow lower long-term net employer premiums but are subject to greater short-term swings in market value. Similarly, because WorkSafeBC's liability payments are long-term in nature they are subject to potential changes in environmental factors or policies, some of which could potentially result in major cost increases. When either of these risks occur — a significant downturn in equity values, or significant unanticipated costs — WorkSafeBC can draw upon capital reserves to limit employer premium rate increases.

Setting targets

The long-term target for this performance indicator is 100 percent of the target assets. This funding level is achieved by setting aside funds in the Capital Adequacy Reserve in economically good years (see the Management Discussion and Analysis, page 62). At this optimum funding level WorkSafeBC will have a sufficient capital reserve to withstand the risks inherent in the assets and liabilities (see Note 19 of the consolidated financial statements, page 109).

For 2012 to 2014, the target has been set at 89 percent. Each year, WorkSafeBC develops targets for the next three years by projecting likely financial results while considering factors such as expected investment returns and inflation, injury rate and claim duration trends, and likely outcomes of current strategies.

While 100 percent is the optimum target, values in any given year may rise above or fall below this long-term target level, particularly as equity markets rise and fall. Since the 100 percent

target level includes substantial reserves, and since the current and targeted levels for this measure over the next three years still equate to an expected level of about 118 percent of assets over liabilities (the old measure[20]), WorkSafeBC is confident the published target amounts reflect the system's continued viability.

Performance highlights

At 2011 year-end, WorkSafeBC's actual assets were 93 percent of the target value of assets required. A detailed calculation of this key objective/performance indicator is shown in the table below.

Decisions made in earlier years regarding investment and reserve policies helped buffer WorkSafeBC from the full effect of declining markets in 2008, which saw an investment loss of -8.2 percent. The year 2009 saw a substantial recovery in equities, which produced a robust 11.7 percent[21] return. Strong returns continued into 2010, producing a 10.4 percent[21] market return, reflecting positive investment performance in both fixed term and equity investments. In 2011, WorkSafeBC saw investment returns of 4.1 percent — significantly lower than the 10.4 percent investment return experienced in 2010, and below our long term requirement of CPI plus 3 percent (or 5.9 percent for 2011), but in line with our planned investment return for the year of 3.7 percent.

	As at Dec. 31, 2011 ($ millions) (IFRS)	As at Dec. 31, 2010 ($ millions) (IFRS)	As at Dec. 31, 2010 ($ millions) (GAAP)
Actual assets	$12,548	$12,735	$12,647
Liabilities	$10,004	$9,890	$9,693
Target capital adequacy reserve*	$2,897	$2,891	$2,857
Other reserves	$590	$590	$590
Target assets	$13,491	$13,371	$13,140
Key objective/ performance indicator (=actual assets/target assets)	93%	95%	96%

* For more information on the Capital Adequacy Reserve, see the Management Discussion and Analysis, page 62, and Note 11 of the consolidated financial statements, page 105.

Major programs and strategies

To move toward an asset level of 100 percent of the target assets, WorkSafeBC strives to apply sound investment policies and practices, prudently manage the employer assessment process, and reduce claim costs by helping B.C. industries achieve lower injury rates and higher return-to-work rates.

WorkSafeBC maintains a conservative, diversified investment portfolio designed to provide solid investment returns without undue risk to the system. By applying this prudent approach, WorkSafeBC provides reasonable assurance that, in the long term, investment returns will cover inflationary increases to claim benefit liabilities.[22]

In addition to investment returns, the workers' compensation system relies on employer premiums as a key source of income. To ensure timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers about their payment obligations and potential savings opportunities. WorkSafeBC also investigates employers that default on their payments and may initiate proceedings against these employers, resulting in administrative penalties or court-imposed sanctions.

Claim costs in respect of injured workers account for approximately 97 percent of all liabilities against the Accident Fund. WorkSafeBC acts in partnership with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see key objective/performance indicator #1, page 25). When these incidents do occur WorkSafeBC endeavours to resolve claims quickly, safely returning the injured workers to lasting employment — strategies that play a major role in reducing claim costs (see key objective/ performance indicators #2 and #3, pages 28 and 31 respectively).

Looking ahead

This key objective/performance indicator is based on, among other factors, the market value of the organization's assets (the numerator of the benchmark ratio), including investments. Thus, a certain level of volatility is to be expected in the future as equity markets continue to rise and fall.

The Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority. Consequently, WorkSafeBC sets assessment rates using smoothed accounting rather than fair value accounting. This approach dampens the volatility (in both market and metrics) referred to above (see Financial Context, page 12). According to WorkSafeBC policy, the organization will draw upon its Capital Adequacy Reserve as required to limit year-to-year premium rate increases for employers. In 2011, $104 million was drawn from the Capital Adequacy Reserve, as required by this policy, to limit the increase in the employers' overall 2012 premium rate.

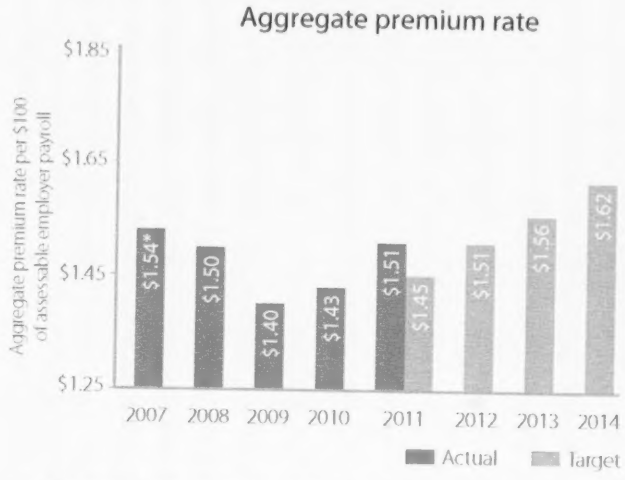
The targets for this key objective/performance indicator, set through 2014, reflect investment returns that are expected to be less robust than those realized from 2003 through 2006. Furthermore, special liability increases in 2012 (mortality improvement of claimants – about $150 million) and 2014 (recognition of liability for long latency occupational disease – see Note 10 of the consolidated financial statements, page 99) are expected to add to future costs and have been incorporated into the targets. As such WorkSafeBC, in accordance with its funding policy, expects it will be required to continue making drawdowns from the Capital Adequacy Reserve during the 2012 to 2014 period to dampen year-over-year rate increases. Thus, WorkSafeBC expects a decrease in this key objective/performance indicator in 2012.

To maintain performance levels in this area, WorkSafeBC manages administrative costs, works with employers to reduce injuries and improve return-to-work outcomes, and applies a prudent investment strategy. However, in striving for the long-term goal of 100 percent of the target asset level, the organization largely depends on obtaining investment returns in excess of actuarial assumptions. In years when returns outperform assumptions, WorkSafeBC usually expects to move closer to its ultimate target of 100 percent. But, since it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into the 2012 to 2014 targets.

It should also be noted that the Board of Directors has instructed the organization to conduct a review of the existing Capital Adequacy Policy and reporting. This review was ongoing throughout 2011 and, in 2012, is expected to result in changes to the targets in this area. Projections to 2014 do not reflect potential future changes to the target methodology.

The key objective/performance indicator projections cited above were developed in the context of current accounting and actuarial standards stipulating that investments are stated on the balance sheet at market value, whereas claim benefit liabilities are determined using long-term assumptions. However, revisions to the International Financial Reporting Standards (IFRS) for insurance liabilities are in development and expected to be implemented no earlier than 2014. These new standards could substantially impact this indicator.

Key objective/performance indicator #9: Attain an aggregate premium rate between $1.25 and $2.25[23]



(Rates shown are final for 2007–2010 and estimated for 2011 to 2014[24])

* The 2007 aggregate rate reflects the effects of the $86-million surplus rebate distributed in 2007. The aggregate rate, excluding this surplus rebate, was $1.67 per $100 of assessable payroll.

Importance

WorkSafeBC collects premiums from employers to cover the cost of operating the workers' compensation system. In exchange employers are protected from lawsuits arising out of work-related injury, illness, disease, and death, and workers receive no-fault insurance for work-related injury and disease.

Employer premiums vary depending on the cost of claims in the employer's specific industry sector and the value of

WorkSafeBC's total assets, but WorkSafeBC aims to maintain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll. If this aggregate premium rate goes above $2.25, it can put excessive financial strain on employers; if the rate dips below $1.25, it can weaken the long-term financial sustainability of the system (based on the current environment).

Setting targets

Across Canada, 2011 premium rates ranged from $1.22 to $2.75 per $100 of assessable payroll averaging around $2.01 per $100 of assessable payroll. This variation is attributed to the differing mix of industries and benefit levels, as well as the funding level and coverage rules in specific jurisdictions.

Given the funding level range and premium levels in other jurisdictions, WorkSafeBC's target range of $1.25 to $2.25 is considered optimal in the present environment. If the injury rate continues to fall, and injured workers are returned to work quickly, costs will drop — also reducing pressure on premiums.

Performance highlights

The 2011 average premium rate collected from employers was $1.51 per $100 of assessable payroll, an increase of 5.6 percent from the 2010 aggregate rate of $1.43. This compares to a small reduction of 1.3 percent in the 2011 published base rate of $1.54, from the 2010 level of $1.56. The difference between the 5.6 percent increase and the 1.3 percent decrease is primarily due to the difference in the distribution of payroll by industry between the time the base rates were set and the most recent available information.

The aggregate premium rate of $1.51 remains among the lowest in Canada (see Appendix B, page 127). Overall, approximately 44 percent of employers experienced either a reduction or no change in their base premium rates in 2011, while 56 percent experienced an increase.

Major programs and strategies

Claim costs are the primary driver of the aggregate premium rate. To reduce claim costs, WorkSafeBC acts in partnership with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of workplace injury, illness, disease, and death; and, facilitate workers' safe and durable return to work as soon as possible following injuries. WorkSafeBC's prevention activities include educating and consulting with workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and particular groups, such as young workers.

The prevention of injury and illness is the first — and best — strategy for reducing claim costs, but when injuries do occur the single biggest factor affecting claim costs is claim duration. WorkSafeBC employs various strategies and programs to reduce claim duration and return injured workers to employment in a safe and timely manner (see key objectives/performance indicators #1 and #2, pages 25 and 28, respectively).

Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs (see key objective/performance indicator #3, page 31).

Looking ahead

The estimated aggregate premium rate in 2012 is expected to remain flat at the 2011 level of $1.51 per $100 of assessable payroll. This 2012 rate reflects the general trend in recent years toward a levelling of injury rates. In 2012, base premium rates will decline or remain unchanged for 61 percent of B.C.'s registered employers while increasing for 39 percent. Rates are expected to rise gradually through 2014.

The target rate for 2012 ($1.51) and 2013 ($1.56) are higher than the corresponding targets shown in the *2010 Annual Report* ($1.49 and $1.52, respectively). The primary reason for this increase is the re-evaluation of assessment and payroll levels underlying the 2012 and 2013 target rates. The forecast assessments are now higher and projected payrolls are now lower than previously estimated.

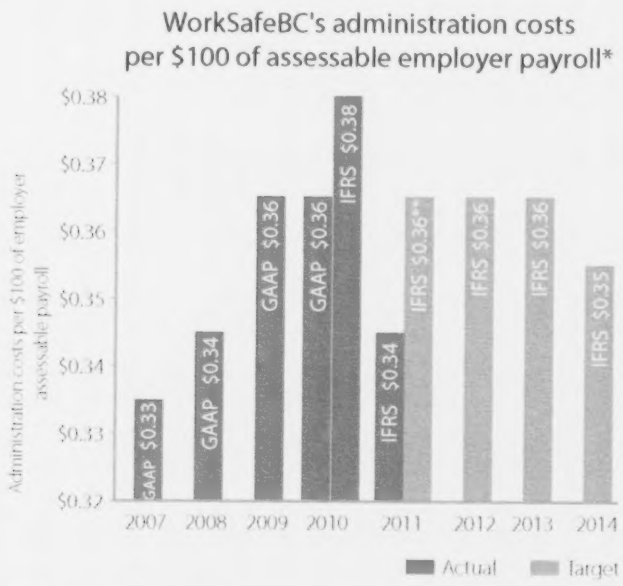
Further reductions in base premium rates will depend primarily on a lower injury rate, shorter claim duration, and/or a higher return-to-work rate for injured workers. Premium rate reduction may also result from favourable changes in external factors, such as the performance of financial markets or shifts in the general mix of workers and businesses participating in the B.C. economy.

WorkSafeBC expects relatively stable injury rates, a reduction in claim duration in the longer term (driven, in part, by improved claim management technology), and continuing low inflation. However, in the aftermath of the global financial crisis, near-term future investment returns are expected to be relatively low compared to historical returns (see the Market

return vs. required return chart, page 61). To mitigate market fluctuations and other risks, WorkSafeBC will continue refining and enhancing its prevention initiatives, return-to-work programs, financial investment strategy, and other activities that either directly or indirectly influence premium rates. Taking all these factors into consideration, WorkSafeBC is forecasting increases in the aggregate premium rate of $1.56 for 2013 and $1.62 for 2014.

These premium rates are increasing mainly because of an anticipated reduction in rate group surpluses.[25] WorkSafeBC is expecting to see a reduction in these surpluses mostly because WorkSafeBC's rate-setting methodology attempts to return these surpluses gradually back to employers via reduced premium rates. As surpluses are diminished the premium rates must rise, all else being equal, as there are fewer surpluses available to return. To view supplementary information about WorkSafeBC's published base rates and final aggregate premium rates since 2006, visit WorkSafeBC.com.

Key objective/performance indicator #10: Control administration costs[26]



* The accounting policies used to determine the 2009–2010 figures above were based on Canadian generally accepted accounting principles (GAAP) in place through 2010. Actuals for 2011 and targets for 2011–2014 are based on International Financial Reporting Standards (IFRS), reflecting the adoption of those standards by WorkSafeBC beginning in 2011 (with comparative IFRS figures provided for 2010). The 2007–2009 figures were not restated due to the application of IFRS transition adjustment rules as at January 1, 2010.

** 2011 target restated to $0.36 from the target of $0.35 published in the 2010 annual report, due to accounting policy change.

Importance

WorkSafeBC aims to provide value to stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its administrative efficiency is by calculating its annual administration costs per $100 of assessable employer payroll.

Other Canadian workers' compensation organizations also use administration costs as a key statistical indicator, based on a common definition of administration costs, with adjustments to allow for operating and legislative differences (see Appendix B, page 127). The common definition of administration costs is provided by the Association of Workers' Compensation Boards of Canada (AWCBC). By calculating its annual administration cost ratio, WorkSafeBC can compare and monitor the overall cost of administering the B.C. workers' compensation system.

Setting targets

In setting targets for its administrative cost ratio, WorkSafeBC balances the need to remain cost-effective with the need to maintain high service levels for workers and employers. Both internal and external factors affect WorkSafeBC's performance and decision making in this area. For example, a decrease in the number of WorkSafeBC employees who perform claim-related work could lower the organization's administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, ultimately increasing claim costs.

Changes in the size of WorkSafeBC's workforce must follow a long-term trend, not mirror short-term fluctuations. This is because claim costs generally lag behind economic trends. For example: when the economy shrinks, as it did in 2009, the number of incoming claims tends to drop — but workloads and resource requirements do not, as older or more complex cases generally require a disproportionate amount of work. In 2010, the B.C. economy recovered, and positive growth continued into 2011, but workloads and resource requirements remained about the same as 2009 levels.

An improvement in B.C.'s economic activity could also cause an increase in the province's total assessable payroll, decreasing the organization's ratio of administration costs per $100 of payroll; similarly, a decline in economic growth could have the opposite effect. Given these variables WorkSafeBC sets targets based on its best estimates of the organization's overall capacity, and relative to B.C.'s expected economic growth.

Since all workers' compensation organizations face similar administrative and financial challenges, this measure is designed to track WorkSafeBC's performance in relation to other workers' compensation systems in Canada.

Performance highlights

IFRS adjustments

As a result of IFRS adjustments in 2010, WorkSafeBC's administration costs increased by $14.6 million (for the subset of administration costs included in the AWCBC definition of administration costs).

The IFRS adjustments of $14.6 million consisted of:

- A one-time employee pension plan amortization adjustment (an increase of $10.1 million)
- The interest portion of retirees' medical benefits expense (an increase of $7.9 million), previously netted against investment income
- Other smaller IFRS adjustments (decrease of $3.4 million).

The accounting adjustments resulted in an adjustment to the 2010 administration cost ratio of $0.02, or an adjustment to $0.38.

The 2011 target under previous Canadian GAAP was $0.35; the 2011 target was adjusted to $0.36 due to an IFRS adjustment of $8.4 million to reclassify the interest portion of retirees' medical benefits expense as an administration cost.

In 2011, WorkSafeBC's administration costs decreased by $36.7 million (or $15.8 million for the subset of administration costs included in the AWCBC definition of administration costs) and the province's assessable payroll increased by $2.9 billion. The decrease in administration costs is primarily due to lower employee benefit costs. As a result, the administration cost ratio decreased to $0.34 in 2011.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including the following:

- Monthly reviews and analyses of administration costs, including explanations of any significant variances from plan by each division's financial manager with the chief financial officer (CFO) and corporate controller
- Monthly reporting of administration costs and variances to the president and chief executive officer (CEO) and the Senior Executive Committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews with the president and CEO, CFO, and corporate controller by each division's senior vice-president and/or vice-president.

Looking ahead

The administration cost ratio can be impacted by changes to the ratio numerator (administration costs) or the denominator (the province's assessable payroll). For the numerator, WorkSafeBC has budgeted for administration costs to increase over the previous years' budget by 2.1 percent for 2012, 3.1 percent for 2013, and 2.3 percent for 2014.

The $8.8 million (2.1 percent) increase to the organization's operating budget in 2012 is necessary to cover non-discretionary costs, including an increase in the pension expense due to discount rate changes, as well as service improvements.

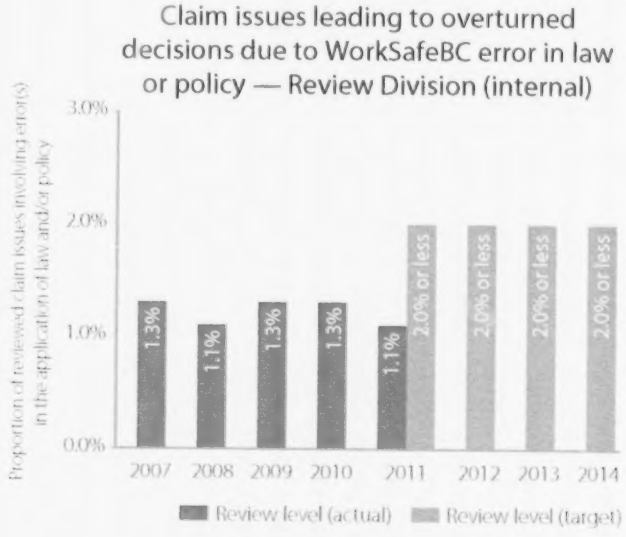
Expected increases in 2013 and 2014 are due primarily to non-discretionary increases, such as WorkSafeBC's employee benefits and other contractual commitments.

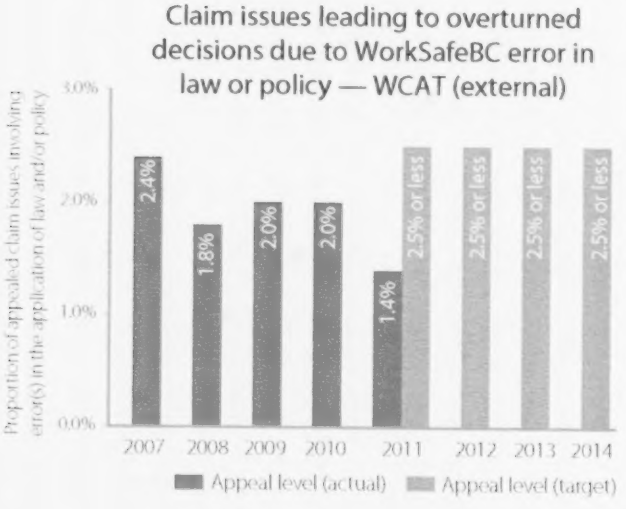
For the denominator: assessable payroll is expected to increase by 4.9 percent in 2012, 4.6 percent in 2013 and 4.7 percent in 2014; this is based on projected changes in B.C.'s labour income as estimated by the provincial Ministry of Finance[27]. The higher expected change in assessable payroll, compared to administration cost growth, contributes to expected reductions in this ratio in each of the coming years; due to rounding this is not apparent in the reported figures.

As compared to the targets in this area published in the 2010 Annual Report and 2011 –2013 Service Plan, WorkSafeBC has adjusted the targets upward by $0.02 and $0.03 per $100 of assessable payroll in 2012 and 2013, respectively, due to the reclassification of the interest portion of retirees' medical benefits expense as an administration cost required by IFRS and lower than expected assessable payrolls. Targets were also impacted by a revised assumption regarding the portion of costs qualifying for inclusion in the AWCBC measure[28].

WorkSafeBC will continue monitoring and evaluating the balance between controlling its administration costs and ensuring a high quality of service while preparing to adjust that balance to best meet the needs of stakeholders.

Key objective/performance indicator #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy





Importance

Every working day WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their underlying goal is to arrive at the correct decision by weighing evidence in a consistent manner while ensuring compliance with applicable law and policy. In the absence of a law or policy to cover every conceivable situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

In the vast majority of cases these decisions are accepted by those involved. Nonetheless, workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. For most WorkSafeBC decisions, two levels of appeal are available. The first level involves an internal review by WorkSafeBC's Review Division to ensure appropriate decisions have been made on issues in dispute. The second level involves the Workers' Compensation Appeal Tribunal (WCAT), a final, external source of appeal for WorkSafeBC matters the tribunal is authorized to hear and decide.

Both the Review Division and WCAT are important components of the adjudicative process. Their findings facilitate a better understanding of the principles related to workers' compensation adjudication and may highlight the need for policy reform, enhanced employee training, or additional stakeholder education.

Setting targets

Upon review or appeal of WorkSafeBC issues the Review Division or WCAT, based on the receipt of new information or the consideration of existing information, may reach a decision that differs from the original decision. These findings are part of the normal inquiry process rather than a reflection of erroneous decision making. WorkSafeBC also tracks the rate of errors coded by the Review Division or WCAT in the application of law and/or policy — the most objective and readily available measure of quality decision-making.

Ideally, WorkSafeBC would decide every issue on every claim in accordance with law and policy. However, the everyday realities associated with maintaining adequate staffing levels, handling a high volume of other complex claims, providing ongoing training, meeting deadlines, and ensuring precision and accuracy in claim-coding judgments, all act as barriers to meeting the ideal objective of a zero-error rate.

In light of these practical limitations, WorkSafeBC has established key objective/performance indicator #11 as an indicator of quality decision making. The Board of Directors has set the practical target error rate at 2 percent or less for primary WorkSafeBC decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets, reviewed annually by the Board of Directors, have been extended to 2014.

Performance highlights

In 2011, the Review Division reviewed a total of 13,569 issues relating to 10,781 WorkSafeBC decisions. Of those issues, 144 (1.1 percent) led to overturned decisions because of a perceived error in WorkSafeBC's application of legislation or policy — better than the established target for the year. WCAT ruled on 4,819 issues relating to 3,229 completed appeals of Review Division decisions. Of those issues, 69 (1.4 percent) led to overturned decisions due to a perceived error in the application of legislation or policy — also better than the target established for the year.

Overall, the Review Division confirmed 66 percent of the issues it reviewed; 22 percent were allowed, or allowed in part, while 12 percent were returned to WorkSafeBC (back to the initial decision-making division for further investigation or determination). Of the total appeals WCAT examined in 2011, 62 percent of issues were confirmed while 38 percent were allowed or allowed in part.

Review Division — Outcomes of top five issue groups reviewed in 2011
(represents 64 percent of all issues and does not include issues returned for further consideration during 2011)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,427	6	18	323	291
Entitlement to a permanent partial disability award	1,462	8	13	224	84
Entitlement to a compensation for a temporary partial disability	649	0	13	180	120
Acceptance of a claim for an occupational disease	750	2	0	48	43
Vocational rehabilitation	454	2	0	188	75

*Issue groups have been stated in plain language.

WCAT — Outcomes of top five issue groups appealed in 2011
(represents 70 percent of all issues heard by WCAT in 2011)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	954	9	10	73	455
Entitlement to a permanent partial disability award	392	5	5	61	289
Acceptance of a claim for an occupational disease	310	3	3	23	166
Entitlement to compensation for a temporary partial disability	258	2	2	36	105
Entitlement to a compensation for a temporary total disability	203	0	0	16	68

*Issue groups have been stated in plain language.

Major programs and strategies

To ensure decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, WorkSafeBC undertakes a variety of programs to educate decision makers on appropriate methods of evidence-gathering and weighting, decision making, and documenting.

WorkSafeBC also operates quality councils for compensation, prevention, and assessment decision making. These senior-level councils, which include representatives from various areas of WorkSafeBC, review ongoing issues relating to the quality of decision making and develop plans for rectifying any identified problems. To complement this strategy, WorkSafeBC maintains working-level teams that widely represent the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

Through 2011, WorkSafeBC's Review Division continued a program known as Quality Decision Review. The program addresses the quality of the Division's decisions, including the appropriate application of law and policy. Without encroaching on the independence of its decision-makers, review officers also examine each other's draft decisions and provide constructive feedback before final decisions are released.

Similarly, team managers and a quality assurance group review select decisions — either before or after decisions are issued. The Review Division's quality assurance group also conducts in-depth reviews of decisions and conducts training in all subject areas, including compensation, assessment, and prevention matters.

Looking ahead

Through 2014, for decisions being considered at the Review Division level, WorkSafeBC aims to maintain a rate of 2.0 percent or less for decisions overturned based on errors in the application of legislation and/or policy. For Review Division decisions being appealed at the WCAT level, the targeted rate through 2014 is 2.5 percent or less.

WorkSafeBC's Review Division looks to continue building on providing timely, formal, first-level dispute resolution while actively looking to improve service, resolve disputes more effectively, and enhance decision-making quality and consistency. Adjustment to new policies and staff movement will continue putting pressure on decision makers and could potentially result in the introduction of additional errors in the application of law and policy or in the coding of errors. Ongoing training and quality-enhancing initiatives should mitigate this risk. WorkSafeBC will continue monitoring claim and review volumes, adjusting resources where necessary.

Corporate Social Responsibility (CSR)

"WorkSafeBC is working to make a positive impact on society. Our triple-bottom-line approach to sustainability balances economic, environmental, and social considerations to create shared value for our stakeholders. We believe being a good corporate citizen is not just the right thing to do; it also benefits our stakeholders, our employees, and our communities."

— **David Anderson**, WorkSafeBC President and Chief Executive Officer

Our commitment

To make a difference, together, by inspiring others and sharing our knowledge, expertise, and influence to help create healthier, safer, and more caring communities. We act with integrity and transparency to create lasting social impact and minimize our environmental footprint.

Our framework

The Corporate Social Responsibility operational framework is comprised of three key pillars: environmental management, accountability and transparency, and social responsibility.

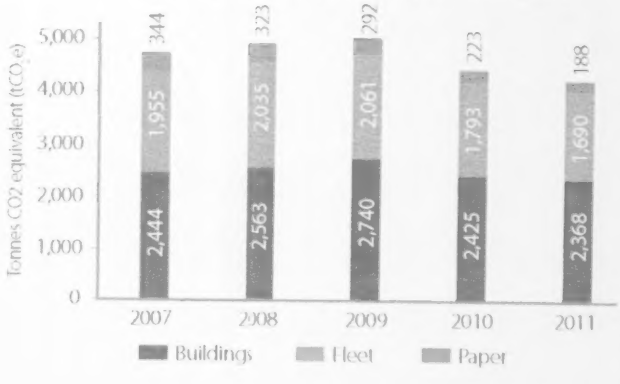
Environmental management

WorkSafeBC is lightening its environmental footprint by incorporating greener practices into operations. In 2011, we focused on reducing greenhouse gas emissions, conserving energy, right-sizing our fleet, and diverting waste.

Greenhouse gas emissions (GHGs)

In 2011, WorkSafeBC continued to voluntary align with the emissions reporting and reduction commitments of the Province of British Columbia. We used the SMARTTool software — developed by the Government of British Columbia — to measure, aggregate, and report on greenhouse gas emissions from three sources: stationary fuel combustion (buildings), mobile fuel combustion (fleet), and supplies (office paper).

Reported greenhouse gas emissions[N]



By 2020, the province has set a greenhouse gas reduction commitment to achieve GHG levels one-third below 2007 levels. WorkSafeBC is committed to meeting or exceeding these reduction targets. In 2011, we reported a reduction of 11 percent compared to baseline — already outperforming our 2012 target of 6 percent.

Energy consumption in buildings

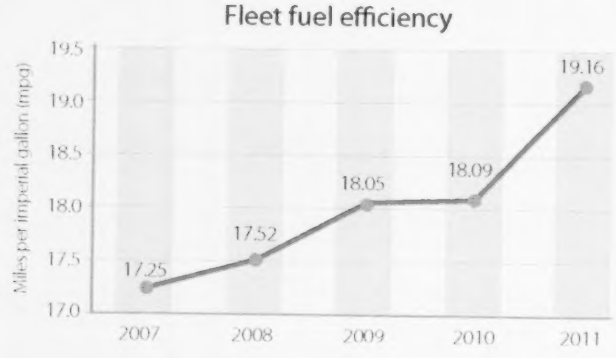
In 2011, natural gas and electricity use in WorkSafeBC's buildings produced 56 percent of the organization's GHG emissions, the largest component of our carbon footprint. Therefore, reducing energy consumption is the best way to reduce our carbon footprint.

While WorkSafeBC has been a BC Hydro PowerSmart Partner for more than two decades, in 2011 we partnered with BC Hydro to implement its Continuous Optimization for Commercial Buildings program. This is expected to reduce our annual power consumption by roughly 449,000 kilowatt hours (kWh) — enough electricity to power 37 homes for a year. These and other carbon-reduction efforts have resulted in a 3 percent reduction in our GHG emissions in buildings.

Fleet fuel performance

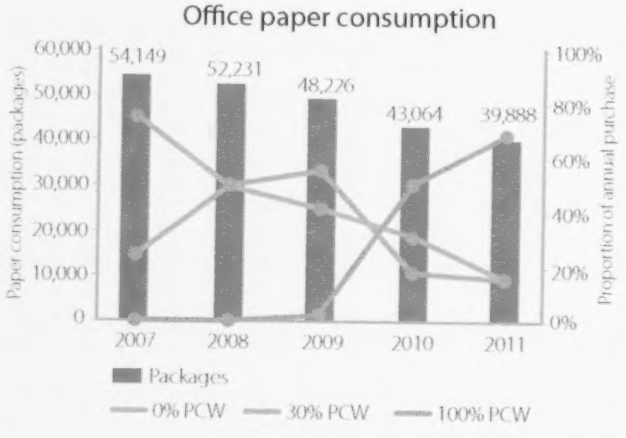
Working to reduce vehicle fleet emissions is a big part of WorkSafeBC's environmental responsibility; in 2011, our fleet contributed 40 percent of WorkSafeBC's GHG emissions.

Since 2007, have been purchasing more fuel-efficient vehicles and have continued to make progress in right sizing of the fleet. Our efforts have resulted in an 11 percent increase in our fleet's fuel economy and a 14 percent reduction in greenhouse gas emissions.



Office paper consumption

While paper consumption contributes only 4 percent of our GHG emissions, it also represents our most significant carbon-reduction success. In 2011, we consumed 26 percent less paper than in 2007 — the baseline year — an aggregate reduction of more than 32,000 packages.



In addition to reducing our paper consumption, WorkSafeBC recently adopted a 100-percent, post-consumer waste (PCW) recycled office paper standard. In 2011, more than two-thirds of the paper we purchased contained 100 percent PCW. In 2012, we plan to enforce this standard and phase out the use of virgin and other papers.

Waste diversion

Our Richmond head office is home to more than two-thirds of WorkSafeBC's waste footprint. In 2011, we followed up our 2010 baseline waste composition study with a second study to determine the composition of waste generated at head office. These studies allow us to measure WorkSafeBC's waste management activities, establish waste diversion metrics, and recommend waste reduction priorities.

In 2010, WorkSafeBC aligned its waste diversion targets at head office with targets established in Metro Vancouver's Intergrated Solid Waste and Resource Management Plan, specifically targeting 70 percent diversion by 2015 and 80 percent by 2010.

In 2011, 80 percent of the waste from our head office was recycled and composted, acheiving our targets.

WorkSafeBC recycles a wide variety of material, including office paper, mixed paper, cardboard, beverage containers, batteries, lighting bulbs/tubes, toner cartridges, electronics, and construction materials. In 2011, we introduced a program to compost food waste and recycle paper towels. In 2012, we will continue with our waste reduction plan and establish new waste diversion targets.

Accountability and transparency

At WorkSafeBC, Corporate Social Responsibility is based on the fundamental principles of accountability and transparency. Our goal is to keep our stakeholders informed on our sustainability performance and progress.

Health and safety performance

WorkSafeBC's dedication to safe and healthy workplaces begins in our own offices. We are committed to keeping our team safe, healthy, and secure. We continuously measure and evaluate our Safety, Health, and Security program to improve our safety performance. To renew our commitment toward safety, in 2011, WorkSafeBC partnered with the Community Against Preventable Injuries (also known as Preventable) to display signage in all WorkSafeBC office facilities; these signs promote changing attitudes and behaviour to reduce preventable injuries.

In addition to this signage campaign, WorkSafeBC and Preventable launched a "turning over a new leaf" safety pledge campaign where staff were invited to renew their commitment to safety by writing a safety pledge on a colourful leaf and placing the leaf on a tree of life. These campaigns encouraged us to think twice about safety, with the goal of reducing preventable injuries at work, at home, on the road, and at play.

As illustrated in the table below, WorkSafeBC's injury rate improved in 2011 and remains well below the provincial injury rate. However, claim costs and days lost to work are increasing mainly due to injuries occurring in previous years. Prime factors include an increase in pension awards, the reversal of decisions on appeal, and greater injury severity.

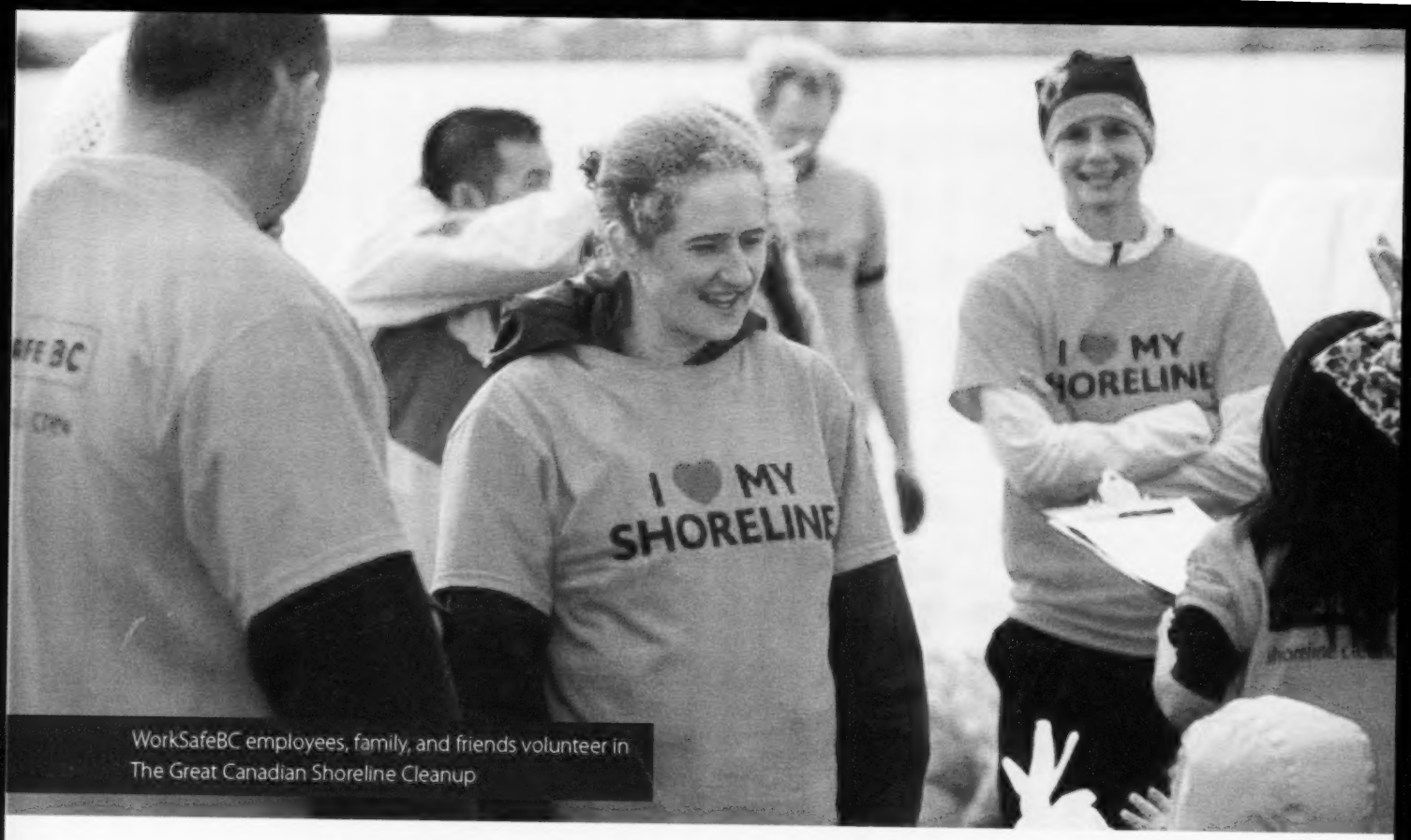
WorkSafeBC's Health and Safety Performance

	2009	2010	2011
Work days lost	1,311	1,862	2,198
Claim costs paid	$218,455	$318,158	$501,907
Injury rate	0.59	0.95	0.22

Ethics and integrity

Each year, all WorkSafeBC staff members submit a declaration that they are in compliance with WorkSafeBC's Ethics Policy and Standards of Conduct. The office of the chief ethics officer then tracks the results and reports them to the Senior Executive Committee and the Board of Directors.

In 2011, we introduced an online ethics course and test to provide staff with an in-depth review of key topic areas before making their declarations. Alternately, staff members may attend an in-person ethics training session that provides an opportunity to raise questions and discuss ethical issues relating to their specific work. In 2011, WorkSafeBC also introduced a confidential internal reporting line for staff to anonymously report unethical and illegal behaviour.



WorkSafeBC employees, family, and friends volunteer in The Great Canadian Shoreline Cleanup

Social responsibility

In 2011, through various community engagement initiatives, WorkSafeBC demonstrated its commitment to fostering safer and healthier communities for all British Columbians.

The Great Canadian Shoreline Cleanup

In September 2011, a team of 86 WorkSafeBC employees, family, and friends volunteered in The Great Canadian Shoreline Cleanup, collecting, sorting, and recording the removal of 172 kilograms of garbage from 1.5 kilometres of shoreline between Blair Point and Gilbert Beach in Richmond. WorkSafeBC plans to be part of this nationwide cleanup again in September 2012.

Employee charitable giving

WorkSafeBC employees donate to a number of registered charitable causes through a payroll deduction plan organized by our Helping Hands employee charity group. Helping Hands also held fundraising campaigns to support organizations such as the BC Children's Hospital, the BC Cancer Agency, Big Sisters and Big Brothers of BC, Literacy BC, the Richmond Food Bank, and the Terra Nova Schoolyard Society.

Helping Hands' main fundraising initiatives in 2011 were:

- Donating $23,253 to the Union Gospel Mission so the organization could redevelop its kitchen facilities and increase the number of meals it serves, in an effort to help community members overcome poverty, homelessness, and addiction
- Supporting the Canuck Place campaign to build a new, 10-bed, five-family children's hospice in Abbotsford by donating $11,555 toward kitchen equipment at the facility

In 2011, WorkSafeBC employees also raised $24,303 through the "Movember" campaign, an international movement held each year during the month of November to spread awareness and raise funds in support of prostate cancer research.

Supporting our communities

WorkSafeBC has been a committed member of Canadian Blood Services' Partners for Life program since 2004 and views this partnership as an opportunity to extend our values, and support injured workers and the broader community in the struggle against injury, illness, and disease. In 2011, on three occasions, WorkSafeBC hosted Canadian Blood Services' newest venture, the Bloodmobile, at our head office in Richmond. Through this partnership WorkSafeBC employees have now made more than 1,000 donations at clinics across B.C. Our staff donated 325 units in 2011, making a difference in up to 975 lives. We have pledged to donate 365 units for 2012.

Our Finances

Management Discussion and Analysis

This section reports on WorkSafeBC's consolidated results and financial position for the year ended December 31, 2011. It should be read in conjunction with the consolidated financial statements and accompanying notes. This annual report and service plan contains forward-looking information, including assertions regarding the anticipated performance of WorkSafeBC. These assertions are subject to a number of risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information.

WorkSafeBC adopted International Financial Reporting Standards (IFRS) in 2011 requiring the restatement of 2010 financial statements to conform to the new accounting standards. (Further information on the accounting changes is provided in the Accounting Standards section starting on page 68.) In past annual reports, the Management Discussion and Analysis presented five years of comparative information for selected revenue, expense, and balance sheet items. This year only two years of comparative information are provided for revenue and expense items, and three years for balance sheet items. Financial information going back further than January 1, 2010 was not restated due to the application of IFRS transition adjustment rules as at January 1, 2010. (January 1, 2010 balances were considered equivalent to December 31, 2009 balances for the purposes of presenting balance sheet item comparisons.)

The *2011 Annual Report* and *2012–2014 Service Plan* and *WorkSafeBC 2011 Statistics* are both available at www.worksafebc.com/publications/reports/annual_reports. Also available online is supplementary information regarding WorkSafeBC's operating results from an underwriting perspective, including the 10-year summary table (Schedule A in reports for 2009 and prior, prepared based on the smoothed accounting approach), a gain and loss analysis, and a statement of changes in rate group balances.

Overview of 2011 financial results

2011 and 2010 highlights	2011	2010*	Change
Financial highlights ($millions)			
Portfolio investments	11,840	12,077	(237)
Benefit liabilities	9,655	9,390	265
Unappropriated balance	1,046	1,155	(109)
Accumulated other comprehensive income (losses)	(257)	(170)	(87)
Reserves	1,755	1,859	(104)
Premium income	1,145	1,028	117
Investment income	488	1,152	(664)
Other income	9	13	(4)
Claim costs	1,645	1,291	354
Operating costs	210	217	(7)
Surplus (deficit) from operations	(213)	685	(898)
Other comprehensive income (loss)	(87)	(63)	(24)
Total comprehensive income (loss)	(300)	622	(922)
Operational highlights			
Percentage of target funding level achieved (see key objective/ performance indicator #8, page 39)	93%	95%	-2%
Aggregate premium rate (see key objective/performance indicator #9, page 41)	$1.51	$1.43	$0.08
Number of insured employers	210,673	206,510	4,163
Number of workers covered	2.16 million	2.13 million	0.03 million
Injury rate (see key objective/performance indicator #1, page 25)	2.34	2.27	0.07
Number of claims accepted	103,940	95,663	8,277

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

Is this the "new normal?" That's the question gripping the institutional investment community this year. What we saw in 2011 was a very nervous investment environment yielding a relatively low return of 4.1 percent. This contributed to the loss of $300 million overall. Along with this, benefit costs have started to increase above expectations. While some of this can be attributed to increases in short-term claim duration, the increase in benefit liabilities is a larger issue which likely indicates the trend of declining long-term disability costs, characterizing the last 10 years, has now bottomed out.

As there is a loss this year, WorkSafeBC's Capital Adequacy Reserve is being reduced by $104 million. This will dampen rate increases in 2012. The Capital Adequacy Reserve balance is $1.165 billion as of December 31, 2011, after the drawdown. The Board of Directors has been reviewing the Capital Adequacy Reserve policy and the impact on rates; this review will be completed in 2012.

Overall, the $300-million loss for the year is slightly larger than planned. A loss of $273 million was planned for 2011 based on our funded position, due to the return of the funding surplus

to employers through reduced premium rates. Generally, we budget for a loss when we have a positive-funded position (assets over liabilities) and budget for a surplus when we are in a deficit-funded position.

Premium revenues were up this year, a positive reflection of the B.C. economy. While the published base rate decreased slightly to $1.54, the industry mix changed in 2011 with a greater percentage of higher risk (higher premiums) payroll than expected, thereby generating more premiums. These growing sectors include forestry and construction.

The other significant indicator is, of course, the injury rate. As expected, this rate increased through 2011 and ended the year at 2.34. This was anticipated because the economy continues to grow, especially in the high-risk sectors. High-risk sectors have higher injury rates (hence the name); with greater employment in these sectors, the overall injury rate rises.

Revenues

At WorkSafeBC, revenues are made up of two primary streams: premium income and investment income. In 2011, the distribution by source was 70 percent premium income, 30 percent investment income, and less than 1 percent other income, for total revenues of $1.6 billion. (2010: 47 percent premium income, 52 percent investment income, and less than 1 percent other income, for a total of $2.2 billion.)

Premium income

Premium income consists mostly of assessments received from rateable employers, and, to a much lesser extent, self-insured employers.[30] Rateable premium income is derived primarily from total assessable payrolls multiplied by the rate appropriate for each employer.

In 2011, premium income increased after lower premium income in the two preceding years — 2009 and 2010. Assessable payroll and the aggregate premium rate increased due to the change in distribution of payroll by industry, as mentioned above. There were higher assessments primarily from the construction, transportation, health care, oil and gas, and forestry sectors.

Premium income

($ millions)	2011	2010*	Change
Rateable employers	1,103	1,040	63
Self-insured employers	42	(12)	54
Total	**1,145**	**1,028**	**117**
Base premium rate	$1.54	$1.56	($0.02)
Aggregate premium rate	$1.51	$1.43	$0.08
Assesable payroll ($ billions)	$74.93	$72.76[1]	$2.17

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).
[1] This figure has been restated. The 2010 annual report stated an estimated $72.66 billion.

Self-insured premium income			
($ millions)	**2011**	**2010***	**Change**
Cost recoveries	34	24	10
Removal of unfinalled claims liabilities from self-insured group	—	(25)	25
Change in actuarial valuation of unfinalled claims liabilities	8	(11)	19
Total	**42**	**(12)**	**54**

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

In 2011, the aggregate premium rate[1] of $1.51 per $100 of assessable payroll was higher than the $1.43 in 2010 — nearly the lowest rate in more than 30 years. Until 2010 the rate had been declining since 2005, dropping $0.56 (28 percent) during that period. This drop can be attributed primarily to: a downward trend in overall claim costs from 2001 to 2010; robust investment returns from 2003 to 2006, and in 2009 and 2010; and an increasing assessable payroll base for the province through 2008 and again in 2010. The higher aggregate premium rate of $1.51 in 2011 is mostly due to the change in the mix of industries covered; higher payrolls than expected were reported in the higher-risk sectors.

Premium income from self-insured employers reflects a recovery of claim costs paid on behalf of these employers, an allocation of administration costs to manage the claims from their injured workers, and the change in the actuarial valuation of self-insured employers' benefit liabilities.

Premiums for self-insured employers appear much lower in 2010 compared to 2011 — the result of two major employers being reclassified from self-insured to rateable at the beginning of 2010. The reclassifications resulted in a one-time transfer of $25 million in benefit liabilities and premiums from self-insured to rateable; had these two employers remain self-insured, the increase in premium revenue from self-insured employers would have been the remaining $29 million in the "Change" column in the table above (a $10-million increase in cost recoveries and a $19-million adjustment in the actuarial valuation of benefit liabilities).

Premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2011 assessment year will not be fully known until May 2012, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines of this annual report, WorkSafeBC estimated the value of premium income based on financial data from March 2012. Given the uncertainty associated with this estimate, the organization has tended toward a conservative approach. In the previous five years the difference between the underestimated value of premium income and the final amount has not been more than 1.0 percent. Any difference between the final remittances from employers and the accrued amount resulting from estimates will be recognized as premium income in the following year.

Investment income

In 2011, investment income of $488 million was $664 million lower than in 2010. Most of the income was distributions from pooled funds managed by WorkSafeBC's portfolio manager, British Columbia Investment Management Corporation (bcIMC) — primarily interest and dividend income from holding bonds and equities in the pooled funds. WorkSafeBC's Investment Committee continued positioning the portfolio conservatively and despite the market volatility that continued into 2011 and the negative performance of major stock markets, WorkSafeBC's portfolio investments had realized and unrealized net gains totalling $17 million. Most of the unrealized losses from stock market declines since the middle of the year were offset by unrealized gains from fixed-income, private equity, and domestic real estate assets.

Investment income			
($ millions)	**2011**	**2010***	**Change**
Interest income	—	10	(10)
Income distributions from pooled funds	434	366	68
Income distributions from investment corporations	37	27	10
Net realized gains (losses) on investments	63	61	2
Net unrealized gains (losses) on investments	(46)	688	(734)
Total	**488**	**1,152**	**(664)**

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

See the portfolio investments section (page 60) for a discussion on the total portfolio value gains in 2011.

Other comprehensive income or loss

The other comprehensive income or loss (OCI) line item in the Statement of Comprehensive Income appears below the operating surplus or deficit for the year, suggesting it be viewed in a different context from normal operations. OCI reflects gains or losses on remeasurements as a result of movements in a price or valuation of an asset or liability. According to the International Accounting Standards Board, the presentation of such remeasurements in OCI is to separate those changes from changes perceived to be the result of an entity's day-to-day operations. Doing so is considered to be consistent with the view that while the remeasurement data provides useful information, it is less useful than the items presented above the operating surplus or deficit line for predicting the likely amount and timing of operational cash flows.

WorkSafeBC's OCI consists of actuarial gains or losses arising from the defined benefit employee pension plan. In 2011, other comprehensive loss was $87 million (2010: $63 million), and accumulated other comprehensive loss was $257 million (2010: $170 million).

Expenses

WorkSafeBC's expenses consist of claim costs and other operating costs that include administration costs, injury research and reduction initiatives, and investment costs.

Claim costs

Claim costs consist of benefit payments and the change in actuarial valuation of benefits. In 2011, benefit payments were $1.4 billion, an increase of $54 million from 2010. WorkSafeBC made these cash payments in 2011 to workers, their survivors or employers, and rehabilitation and health care providers. Benefit payments also include an internal allocation of costs for the Vocational Rehabilitation department and for claim administration. The breakdown of these payments is noted in the table on the following page.

Benefit payments

Short-term disability (STD) payments were higher in 2011 than in 2010. The number of claims was up in 2011, and there was an increase in the average length of time and the average rate a worker was paid while on a claim. The percentage of injured workers that returned to work within 26 weeks was 80.7 percent in 2011, a decrease from 83.2 percent in 2010 (see key objective/performance indicator #2, page 28). In addition, the number of days paid and average daily rate both increased in 2011; total days paid for STD claims in 2011 was 2.9 million days, at an average daily rate of $102.29. This was a 1.9 percent increase in days paid and a 3.3 percent increase in the wage rate of the average worker receiving compensation.

Long-term disability (LTD) payments constitute the largest set of payments WorkSafeBC makes on an annual basis. In 2011, these payments were $34 million higher than the previous year due to an increase in the number of new pension awards and the indexation[7] of existing awards. Over the past five years, survivor benefit payments have been relatively stable. As with long-term disability payments, indexation added to payments in 2011.

In 2011, health care payments increased only slightly, despite the increased costs of health care services and the increased duration of short-term disability claims (the longer a claim lasts, the longer medical benefits are required). The claim management system implemented in 2009, Claims Management Solutions (CMS), provides timely and accurate data on health care costs — used to improve the quality of decision making on health care benefits and in managing health care costs. It is also evident that health care costs related to workers on long-term disability constitute an increasing percentage of WorkSafeBC's health care costs overall. These long-term costs are more stable (and less related to short-term duration), however they are increasing coincident with demographic changes — the longer injured workers live, the longer WorkSafeBC pays related health care costs.

In 2011, vocational rehabilitation benefit payments increased for the fifth consecutive year. These expenditures reflect a longer wage-replacement period for workers who received vocational rehabilitation benefits and an increase in an average worker's daily rate — as previously mentioned. Slower economic growth also had an impact on WorkSafeBC's ability to assist workers in returning to work.

Claim administration costs are discussed in the operating costs section, on the next page.

Changes in actuarial valuations

In 2011, the actuarial valuations of benefit liabilities increased by $265 million. The increase in this area over the 2010 change amount accounts for $300 million of the net $354 million increase in claim costs over 2010. These actuarial valuation changes are based on the recent payment history of various types of benefits, including payments on claims as old as 50 years. WorkSafeBC then uses trend data and price indices to estimate future potential liabilities.

A fundamental part of the actuarial equation is the net discount rate used to assess these liabilities (the difference between the assumed future investment return and future inflation rate). The 3.0 percent net discount rate was continued in 2011, remaining unchanged for three years.

Changes in actuarial valuation are non-cash in nature because they are not paid out on claims in the current year. They are strictly a reflection of the expected future cost of claims occurring in the current and previous years.

Claim costs

($ millions)	2011	2010*	Change
Benefit payments			
Short-term disability	293	279	14
Long-term disability	402	368	34
Survivor benefits	65	62	3
Health care	291	283	8
Vocational rehabilitation	100	86	14
Claim administration	229	248	(19)
	1,380	1,326	54
Change in actuarial valuation of benefit liabilities	265	(35)	300
Total	**1,645**	**1,291**	**354**

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

Operating costs			
($ millions)	**2011**	**2010***	**Change**
Administration costs	389	426	(37)
Less: Claim administration payments	(229)	(248)	19
	160	178	(18)
Injury research and reduction initiatives	27	17	10
Investment costs	23	22	1
Total	**210**	**217**	**(7)**

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

Operating costs

In 2011, operating costs were $7 million less than in 2010. This was mostly due to a decrease in administration costs — of $37 million — partially offset by increases in other operating costs.

Lower administration costs in 2011 were primarily the result of decreases to employee benefit costs. Employee long-term disability costs decreased by $23 million while actuarial adjustments made to liability provisions for employee long-term disability costs and employee long-service allowances decreased these costs by $12 million.

Claim administration costs relate to the portion of operating costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These payments are deducted from the total operating costs to prevent "double counting," because they are already included as a claim cost in the standardized financial statement presentation used by workers' compensation organizations in Canada.

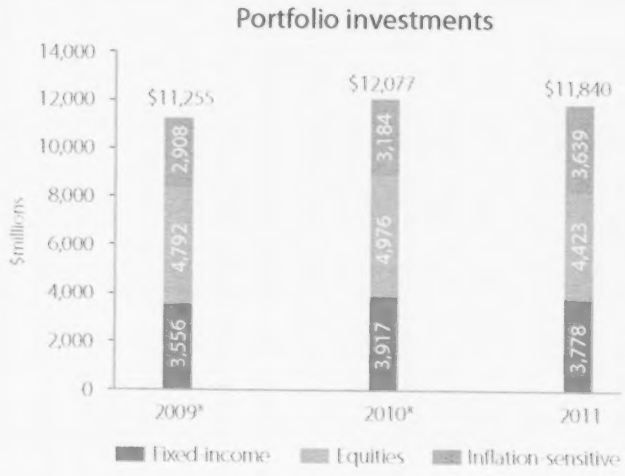
Expenses for injury research and reduction initiatives, which increased by $10 million in 2011, consist primarily of funding WorkSafeBC provides to various industry associations to administer specialized occupational health-and-safety programs. The major increase in this figure can be attributed to the implementation of a new health care injury-reduction initiative.

Balance sheet

The largest and most important components of WorkSafeBC's balance sheet are its portfolio investments and benefit liabilities.

Portfolio investments

The chart below shows the grouping of various types of investments by asset allocation categories. In 2011, the portfolio decreased in value by $237 million — from $12.1 billion to $11.8 billion. This decrease reflects the $488 million-investment income (discussed earlier) less the amount of withdrawals to fund claim payments.



* Financial figures for 2009 and 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

In 2011, the investment portfolio continued to be positioned defensively. WorkSafeBC's Investment Committee has maintained the investment portfolio close to its target weights. The asset allocation targets,[31] established under the investment policy, are relatively conservative; more than half the assets are allocated to fixed-income and inflation-sensitive investments. The asset mix stayed within the policy ranges throughout 2011. By year-end, the investment portfolio consisted of 32 percent fixed-income, 37 percent equity, and 31 percent inflation-sensitive assets, compared to the related investment policy targets of 33 percent, 39 percent, and 28 percent, respectively.

While no investment is risk-free, the majority of WorkSafeBC's investments — with the exception of cash — are held for the long term in securities of solid sustainable organizations and in countries with established or growing economies. WorkSafeBC's management anticipates a continuing but gradual recovery in the market prices of equity investments. Management continues to be concerned about sovereign debt issues in Europe and the growing size of the U.S. deficit. There is also concern that higher levels of inflation will return in the near future, however that appears less probable at present and more likely a factor after mid-decade.

In terms of investment performance, the portfolio's 2011 market return was a gain of 4.1 percent compared to gains of 10.4 percent[31] in 2010 and 11.7 percent[31] in 2009. The 2011 investment return was less than WorkSafeBC's minimum return requirement[32] for the year, of 4.6 percent. However, annual variations in market return should be viewed against longer-term results, shown in the chart on the right. While experiencing a small decline in 2011, WorkSafeBC has significantly increased its funded position since the capital market events that began in 2008. The use of surplus positions to fund a Capital Adequacy Reserve helped keep WorkSafeBC in good stead during the market crash in 2008, and again through the continued instability of global financial markets in 2010 and 2011. Over the past three years the actual amount that assets have exceeded liabilities has remained at or above $2.2 billion.

* Financial figures for 2009 and 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

Benefit liabilities

In estimating benefit liabilities, the two most important underlying assumptions are the net discount rate and the future payment pattern.

Net discount rate — Expected future benefit payments are discounted to arrive at a present-value liability amount. The net discount rate is 3.0 percent. A 1.0-percent change in the discount rate would change liabilities by approximately $1.2 billion.

Future payment pattern — Benefit liabilities consist of two major categories. Each incorporates an estimate of the future payment pattern:

- **Pension awards, capitalized values** — This is the present value of monthly annuities (or pensions) already awarded to workers (long-term disability) or survivors of deceased workers. The potential estimation error in this $4.6-billion liability is relatively small, as the awards are known.
- **Provision for unfinalled claims** — This is the present value of future payments on existing claims yet to be awarded. While WorkSafeBC cannot determine the exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests this expected uncertainty could range from plus or minus 20 percent, or about $1.0 billion.

Benefit Liabilities					
	2011			2010*	
($ millions)	Unfinalled claims	Pension awards	Total	Total	Change
Short-term disability	304	—	304	285	19
Long-term disability	1,825	3,843	5,668	5,650	18
Survivor benefits	73	794	867	859	8
Health care	1,959	—	1,959	1,776	183
Vocational rehabilitation	227	—	227	194	33
Claim administration	630	—	630	626	4
Total	**5,018**	**4,637**	**9,655**	**9,390**	**265**

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

In 2011, total benefit liabilities increased $265 million, or about 2.8 percent. From 2001 to 2010, the change in actuarial valuation of this liability trended downward,[2] but that trend may have ended. The change in benefit liabilities increased in 2011 and is forecast to continue trending upward in 2012–2014. Factors such as short-term disability duration, the success of vocational rehabilitation in returning workers to work, and general economic conditions could all influence a change in liability value. As well, judicial or legislative decisions that change policy or the scope of coverage and/or accounting and actuarial standards changes could also affect the valuation of benefit liabilities.

Reserves

WorkSafeBC maintains a number of reserves, as shown in the table on the next page and described in Note 11 of the consolidated financial statements, page 104.

Created in 2007 (though funding began in 2005[3]), the Capital Adequacy Reserve is the largest reserve — at $1,165 million. It is fashioned after the Office of the Superintendent of Financial Institutions' (OSFI) capital adequacy test, used in the private insurance sector.

Management sets aside funds in the Capital Adequacy Reserve in the economically good years to ensure the Accident Fund is sustainable throughout more challenging periods. In 2008, during the global financial crisis, WorkSafeBC saw the prudence in this approach. Management is taking steps to ensure the organization's continued viability into the future. In 2011, to limit 2012 assessment rate increases, $104 million was drawn from Capital Adequacy Reserve.

The other eight reserves — not including the Capital Adequacy Reserve — are intended to cover specific risks. Most of these risks are unique to workers' compensation, risks that are not inherently part of a private insurer's risk profile.

Reserves			
($ millions)	**2011**	**2010***	**Change**
Contingent reserve	3	3	—
Disaster reserve	16	16	—
Enhancement reserve	21	21	—
Latent occupational disease reserve	200	200	—
Earthquake disaster reserve	20	20	—
Research reserve	30	30	—
Injury reduction and return-to-work initiatives reserve	50	50	—
General reserve	250	250	—
Capital adequacy reserve	1,165	1,269	(104)
Total	**1,755**	**1,859**	**(104)**

* Financial figures for 2010 have been restated from those published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

Comparison to plan

Each year, WorkSafeBC prepares pro-forma financial projections as part of its annual business planning process. Performance targets for key objective/performance indicators #8, #9, and #10 (see pages 39, 41, and 43 respectively) are based on these projections. The financial projections are, by design, conservative in nature.

($millions)	**2011 actual**	**2011 plan**	**Variance**
Premium income	1,145	1,055	90
Investment income	488	427	61
Other income	9	5	4
Total revenues	**1,642**	**1,487**	**155**
Claim costs	1,645	1,529	(116)
Operating costs			
Administration expenses	389	411	22
Less: Claim administration payments	(229)	(235)	(6)
Injury research and reduction initiatives	27	29	2
Investment expenses	23	26	3
Total expenses	**1,855**	**1,760**	**(95)**
Operating surplus (deficit)	(213)	(273)	60
Other comprehensive income (loss)	(87)	—	(87)
Total comprehensive income (loss)	**(300)**	**(273)**	**(27)**
Funding level (AWCBC metric)	125%	126%	-1%
Percentage of target funding level achieved	93%	94%	-1%

The organization's total comprehensive loss in 2011 was $300 million, or $27 million higher than plan, primarily because of $116 million in higher claim costs and a $87-million loss on the actuarial valuation of employee benefit plans (the latter is reflected in the "other comprehensive income (loss)" category of the table at the bottom of page 63). The higher claim costs occurred in the areas of short-term disability, long-term disability, and vocational rehabilitation — mitigated, in part, by under-plan expenditures in health care and survivor benefit costs. Premium income was over plan by $90 million, due primarily to a higher-than-planned aggregate premium rate in 2011, as discussed in the premium income section (see page 56). Investment income was over plan by $61 million, even with the decline in global equity prices mainly because of gains from fixed income, private equity, and domestic real estate investments, as discussed in the investment income section (see page 57). Administration costs (primarily lower employee benefit costs) and other operating costs were under plan for the year.

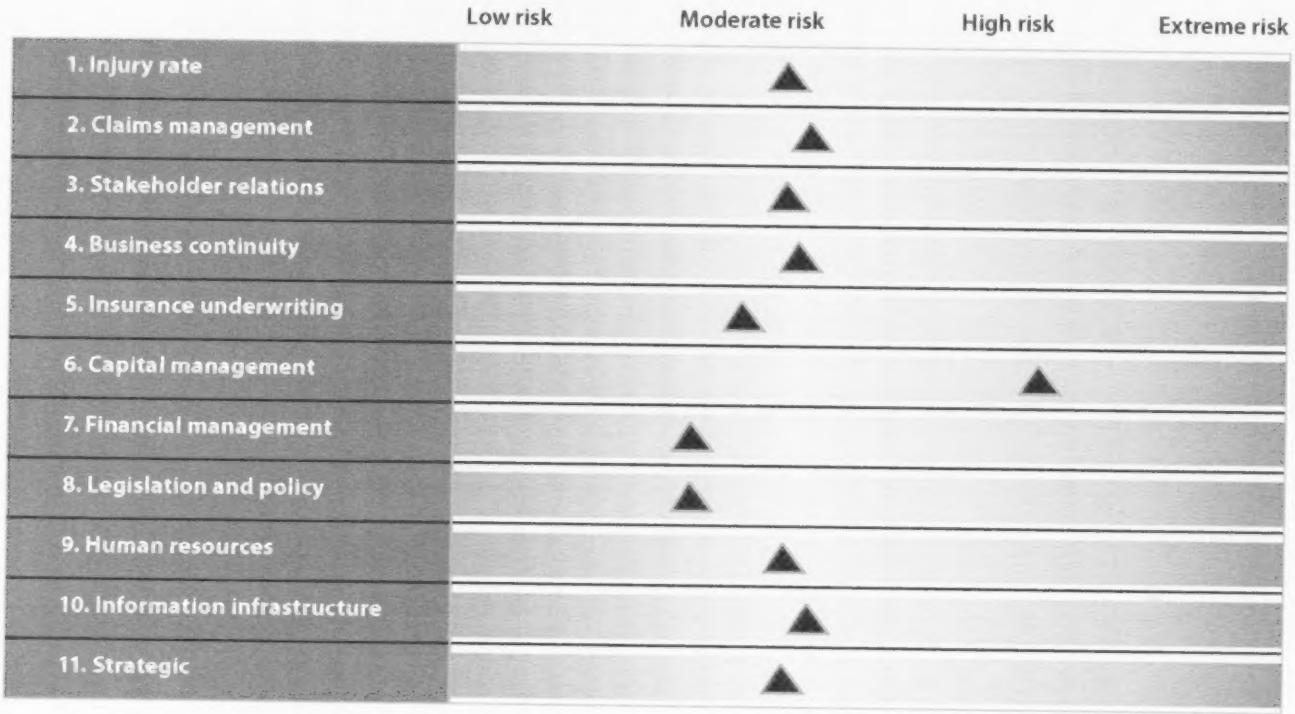
In 2011, the funding level of the Accident Fund was 125 percent (assets compared to liabilities), and the percentage of the target asset level achieved was 93 percent (assets compared to the target asset requirement level). Both these funding level measures were lower than plan due to the total comprehensive loss in 2011.

Risks

Risk management

Like any organization, WorkSafeBC is susceptible to risks that could lead to significant financial consequences if unmitigated. As such, management has established financial controls, policies, and processes to assist in containing risks. An internal audit department, reporting regularly to the Audit Committee of the Board of Directors, carries out operational and control audits to test for compliance. The Audit Committee also receives semi-annual reporting on key risk factors, including an assessment of the potential impact of the identified risks and likelihood the risks will occur, as well as an assessment of the effectiveness of risk management procedures — referred to as the Enterprise Risk Management plan.

The following table shows management's assessment (arrowhead) of risks in 2011 for 11 risk categories, from low (green) to extreme (red).



The remainder of this section discusses the key financial risks. (See Appendix C, page 128, for a discussion of some of the other risk factors in WorkSafeBC's operating environment.)

Risk capital

To be a financially sound insurer, WorkSafeBC aspires to meet risk capital tests similar to those imposed on private insurers by regulatory authorities. In Canada, the Office of the Superintendent of Financial Institutions (OSFI) regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policyholders. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy setting out a target asset level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, its decision to voluntarily adopt a capital coverage target is in keeping with its strategic objective of a financially sustainable system. WorkSafeBC's target asset level is discussed in key objective/performance indicator #8, page 39.

At the direction of the WorkSafeBC Board of Directors, the capital adequacy policy was reviewed in 2011 and is expected to be updated in 2012 to reflect updated risk capital tests.

Economic risks

A change in B.C.'s employment base is a key determinant of premium income and, indirectly, claim costs. In 2011, premium income increased as economic recovery continued, while short-term claim duration continued to increase for the sixth consecutive year. The slowdown in economic growth that began in the second half of 2011 is expected to continue into 2012, and could impact the return-to-work rate. Should economic recovery stall, WorkSafeBC could see lower premium income and higher claim costs.

In 2011, after decreases in the previous four years, the injury rate increased. Entering 2012, we anticipate the injury rate will continue increasing as B.C.'s economy continues recovering — albeit at a slower rate. Each one-percent increase in the number of injuries increases system costs by approximately $16 million and, by extension, the annual premium rate by one percent.

The inflation rate is also a major cost driver because WorkSafeBC's future short-term disability, long-term disability, and survivor benefits are indexed by legislation against the annual increase in the Canadian consumer price index (CPI), as measured by the year-over-year CPI at the end of October each year. Each one-percent increase in inflation costs approximately $54 million, as benefit liabilities for these categories total approximately $5.4 billion. For 2011, inflation settled at 2.9 percent; WorkSafeBC forecasts it will decrease slightly in 2012. WorkSafeBC's financial projection for 2012–2014 assumes an inflation rate of 2.5 percent per year.

Benefit costs risks

Benefit costs, especially those related to high-cost injuries that lead to long-term disability, are susceptible to many variables. These include employers' return-to-work practices, medical intervention, WorkSafeBC's effectiveness in managing claims, and the results of appellate decisions. In the past, the appellate result variable has been the most unpredictable and potentially costly risk factor. At the end of 2011, the number of appeals pending resolution at the Workers' Compensation Appeal Tribunal totalled 3,086. By comparison, past year-end numbers were: 2,713 in 2010; 3,232 in 2009; 2,958 in 2008; and 3,616 in 2007. This low level of appeals backlog means that actuarial liability calculations are based on relatively current costs, thus subject to less uncertainty.

Potential changes to legislated benefits and expanded coverage of diseases and conditions, such as chronic pain and work-related chronic stress, pose additional risks to benefit costs. This is especially true if those changes are applied retroactively. If introduced in B.C., such changes could carry substantial financial liability risk. Another consideration is that the province, like other provinces and territories in Canada, faces the potential risk of widespread disease at any given time such as pandemic influenza, which could affect large portions of the working population. The result of such an outbreak could be significantly increased benefit costs.

While these types of risks are not controllable, WorkSafeBC has contemplated various mitigation strategies to decrease the effect of such occurrences. In addition, a reserve for latent occupational disease is in place to offset potential financial impacts to the Accident Fund. In 2006, the organization also established a General Reserve for special circumstances with significant cost implications, such as potential legislated benefit changes and court decisions. Additionally, the Capital Adequacy Reserve could be used to offset any sudden liability-related premium increases.

Investment performance risks

WorkSafeBC's investment policy shapes a prudent portfolio with macro-target allocations of 33 percent fixed-income, 39 percent equity, and 28 percent inflation-sensitive assets. Should circumstances warrant, there is room for discretionary movement within asset classes.

The Board of Directors is responsible for setting WorkSafeBC's investment policy. It assigns the oversight and asset allocation decisions (within approved ranges) to an Investment Committee which includes three independent external investment experts, WorkSafeBC's president and CEO, CFO, chair of the Audit Committee, and one other board-appointed member. The policy prescribes that appropriate safeguards and controls must be in place to mitigate risks.

The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure the organization's investment portfolio manager, bcIMC, has adequate internal controls and risk-mitigation procedures in place. In addition, an external public accounting firm audits bcIMC's internal controls annually; its audit reports[35] are made available to WorkSafeBC. To date, no serious audit concerns have been raised by bcIMC's external auditor regarding bcIMC's internal controls or the reliability of the pooled investment funds information.

Some investment risks cannot be directly controlled, such as significant market swings, geopolitical events, and interest-rate changes driven by international monetary, fiscal, and trade policies. In 2011, the world continued to witness volatility in the marketplace. Despite losses incurred during the year, WorkSafeBC has increased its surplus position since the 2008–2009 recession — this shows the organization is well-positioned to handle substantial investment risk.

Management continues to seek ways to mitigate overall investment risk. WorkSafeBC has adopted the Value at Risk (VaR) measure for the investment portfolio. The Investment Committee regularly uses this additional tool to monitor, analyze, and evaluate inherent risk in the portfolio. VaR is a statistical technique used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period, and for a specified confidence level. WorkSafeBC's Board of Directors has approved a portfolio asset mix policy and a related level of investment risk. On a quarterly basis, WorkSafeBC monitors the VaR of the actual portfolio relative to the policy portfolio to ensure the level of risk is acceptable.

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements (see page 79).

Future outlook

The impacts of the 2008–2009 recession continue lingering in the global economy and are having major knock-on effects. Greece is of course just the latest sign of this, but other sovereign states may also be at risk. While volatility has become somewhat normal (in that it is not going away), forecasting has become very difficult. Because WorkSafeBC's financial position is largely shaped by the state of the organization's investment portfolio, the market value at December 31st of each year is the key — regardless of what happens in the rest of the year. That said, WorkSafeBC's management continues forecasting in a conservative fashion, including:

- A forecast of 2.5 percent for CPI increases over the next three years. Everything suggests that at some point the inflation rate will increase and an inflationary environment above 3 percent will return, but this scenario is unlikely before 2015 and may not occur until the next decade.
- Small growth in the B.C. workforce, but slightly larger than last year.
- Investment returns at the long-term rate of CPI plus 3 percent (though WorkSafeBC management has conservatively budgeted for a lower return in 2012).
- Average unfinalled claims costs to be very similar to those experienced in 2011.

While projections do not necessarily predict the future, they do help WorkSafeBC's management team make qualitative assessments of likely results. As part of this forecasting process, management continually monitors leading indicators and performance measures related to inflation, the provincial injury rate, investment returns, and claim costs.

As management looks forward it anticipates the following issues will shape the next three years:

- **A new path for the world economy**. In the global economy, some things are unfolding as expected: China is increasing its world influence and its year-over-year economic growth is slowing down slightly; Asia, in general, is increasing its financial clout on the world stage; and overall recovery is taking longer than was expected back in 2009. What is less

predictable are the impact of issues such as the European Union's sovereign debts; the growing distrust of Iran by many other countries; and America's ability to remain an economic leader in the future — or even through the 2012 presidential election cycle.

- **A new path for the U.S.** With an election in November 2012, the world will once again focus on the U.S. and its future. Regardless of the election outcome, the main issues facing America are expected to continue, including: the growing polarization between "the 1%"and "the 99%"; a U.S. housing market without a bottom; the quest for an improved employment picture and job numbers that will support a revitalized U.S. consumer 'machine;' and the country's struggles with growing deficit and debt. That said, the country's polarized politics would seem to negate any rational path that would include fiscal restraint, tax increases, or tax code overhaul. Despite the current situation, many U.S.-based corporations are in very good financial shape — with cash on hand — and are awaiting the opportunity to move forward.
- **Canadian path-setting.** Constituting 3 percent of the global economy, Canada has not been in a position to significantly influence world events. However, from an economic point of view, that may change to some extent by the example it has set. Looking ahead, it would seem that Canada's Achilles heel is likely Ontario as that province faces its own deficit and debt problems and the reshaping of its economic drivers. Alberta will rise and fall with the price of oil, and commodities generally will set the tone for Canada as a whole. With increasing oil prices and the potential for worldwide economic growth, Canada stands to benefit — as long as none of the negative world events potentially on the horizon actually occur (as noted at the end of this list).
- **B.C. — getting back on path.** British Columbia has made major strides over the last 10 years and has much potential going forward. The positives include oil and gas, the forestry sector, more construction demand, tourism, and ready access to Asian markets. On the world map, B.C. is the place to be. But there are potential negatives. This province is gearing up for an election in 2013, with an outcome that is far from certain. The price of natural gas is at an all-time low, and demand is not matching supply. The province's population is aging, stressing all kinds of government resources — particularly the health care system. Any increase to B.C.'s exports and the provincial GDP must be positive, but are dependent on developments in the rest of the world and the economies of other countries (as noted in the first bullet).
- **Accounting changes.** While WorkSafeBC has now adopted IFRS, other changes occurring over the next few years could or will impact the organization's financial position. In 2014, WorkSafeBC will be required to add an additional liability for latent occupational diseases — which could significantly impact the financial position. As well, there has been much debate in the accounting community about revising the standards for insurance contracts (which WorkSafeBC falls under), specifically IFRS 4. While this debate is still at the discussion stage and will likely go to exposure draft in late 2012, the revisions could impact the reporting of WorkSafeBC's liabilities going forward. We do not anticipate this becoming a reporting standard until at least 2015 at the earliest, so it is outside the three-year window of this forecast, but it is a subject being fervently debated in accounting and actuarial circles — one that could be very impactful.

Management does see a point in time where the low-inflation environment will end, but exactly when is difficult to pinpoint. The current view is that this will be in the second half of this decade after the housing market in the U.S. recovers and there is robust international trade (and therefore commodity prices). Until then, there remains an unsettling feeling that a "black swan" event may still take the global economy sideways. It could be an Iran-based conflict, or a crisis stemming from too many European nations defaulting on their debts, or perhaps another natural disaster such as the tsunami that devastated Japan in 2011. So, we continue our conservative projecting ways, trying to be cautiously optimistic and yet sensing uncertainty around every corner. Or is that rationally pessimistic? It's really hard to tell…

This is WorkSafeBC's first year of reporting using the IFRS standards (see below), and it must be noted that WorkSafeBC's annual report is getting larger and larger. The intent is to provide greater detail, such that readers can make judgments about WorkSafeBC and other reporting entities. We hope all readers find this detailed reporting information helpful.

Accounting Standards

Effective January 1, 2011, WorkSafeBC adopted International Financial Reporting Standards (IFRS), with retrospective restatement to January 1, 2010. The financial statements in this annual report were prepared in accordance with IFRS. Prior to adopting IFRS, WorkSafeBC's financial statements were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) that were in effect until December 31, 2010 for publicly accountable enterprises.

IFRS implementation

Full implementation of International Financial Reporting Standards (IFRS) was required for most publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. As of that date, IFRS became Canadian generally accepted accounting principles for publicly accountable enterprises and all workers' compensation organizations in Canada implemented IFRS in 2011.

The accounting policies based on IFRS had to be applied on a retrospective basis, as if these accounting polices had always been in place, with specified exemptions and elections allowed under IFRS 1 (First-time adoption of IFRS). WorkSafeBC's financial statements have been restated for January 1, 2010 (the date of transition to IFRS — see explanation of "date of transition" and timeline chart below) and December 31, 2010 to conform to accounting policies based on IFRS.

IFRS accounting principles are based on a conceptual framework similar to Canadian GAAP that had been in place up to the end of 2010; however, substantial differences exist with respect to recognition, measurement, and disclosure. Adoption of IFRS had some impact on WorkSafeBC's consolidated statement of financial position (balance sheet) and consolidated statement of comprehensive income (income statement). In particular, the opening consolidated statement of financial position (as at the January 1, 2010 date of transition) reflects the revaluation of land to fair value, the revaluation of investments in private equity and foreign real estate to fair value, and the recognition of all unamortized actuarial gains and losses on post-employment employee benefit plans. In aggregate, these changes decreased the funded position by $59 million as at January 1, 2010 and by $110 million as at December 31, 2010.

The transition to IFRS was a major undertaking for WorkSafeBC. WorkSafeBC successfully revised business processes, financial policies, accounting systems, and applicable key performance indicators, where necessary, to meet the requirements of accounting policies chosen under IFRS. IFRS-ready accounting systems were implemented in mid-2010 and parallel processing was maintained to the end of 2010.

Impact of IFRS on financial statements

IFRS requires that the accounting policies based on IFRS be applied on a retrospective basis; Canadian organizations adopting IFRS effective January 1, 2011 had to restate their previous financial statements as if the new accounting polices had always been in place. As the International Accounting Standards Board (IASB) recognized it would be problematic to retrospectively restate financial statements going back indefinitely, January 1, 2010 was set as the transition date for Canadian publicly accountable enterprises. The IASB also provided for a number of exemptions and elections from retrospective application under IFRS 1 (First-time adoption of IFRS).

January 1, 2010
Date of transition to IFRS

January 1, 2011
Date of conversion to IFRS

December 31, 2011
First year-end of reporting under IFRS

For detailed reconciliations and explanations of the differences between IFRS and previous Canadian GAAP, please refer to Note 21 of the consolidated financial statements.

Future changes — IFRS are evolving and some future changes could significantly impact WorkSafeBC's financial reporting. The IASB projects currently underway which WorkSafeBC is monitoring closely are insurance contracts (IFRS 4 Phase 2), leases (IAS 17), financial statement presentation (IAS 1), and employee future benefits (IAS 19).

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Financial Review

Responsibility for financial reporting

WorkSafeBC's management is responsible for preparing the accompanying consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

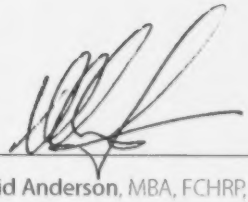
The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

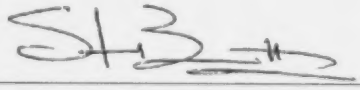
Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Its role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in WorkSafeBC's consolidated financial statements and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of the consolidated financial statements of WorkSafeBC, in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the consolidated financial statements of WorkSafeBC.



David Anderson, MBA, FCHRP, C.Dir
President and Chief Executive Officer
WorkSafeBC



Steve Barnett, CA
Chief Financial Officer
WorkSafeBC

April 24, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour, Citizens' Services and Open Government, Province of British Columbia

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board of British Columbia ("the Entity"), which comprise the consolidated statement of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in funded position, and the consolidated statement of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of British Columbia as at December 31, 2011, December 31, 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010, in accordance with International Financial Reporting Standards.

Victoria, British Columbia
April 25, 2012

John Doyle, MAcc, CA
Auditor General

Consolidated statement of financial position
($ Canadian thousands)

Exhibit 1

	Note	December 31, 2011	December 31, 2010 (see Note 21)	January 1, 2010 (see Note 21)
Assets				
Receivables	3	405,219	357,498	377,089
Portfolio investments	4	11,839,877	12,076,539	11,254,594
Property and equipment	5	206,036	208,088	210,055
Intangible assets	5	92,607	92,384	99,471
Accrued benefit assets of employee pension plan	9	4,270	—	10,426
Total assets		**12,548,009**	**12,734,509**	**11,951,635**
Liabilities and funded position				
Outstanding payments	6	13,499	12,023	17,522
Payables and accruals	7	66,152	190,856	66,256
Injured workers' retirement benefit fund	8	15,285	10,768	7,570
Employee benefit liabilities	9	253,965	287,336	213,724
Claim benefit liabilities	10	9,654,740	9,389,369	9,424,103
Total liabilities		**10,003,641**	**9,890,352**	**9,729,175**
Total funded position	Exhibit 3	**2,544,368**	**2,844,157**	**2,222,460**
		12,548,009	**12,734,509**	**11,951,635**

The accompanying notes are an integral part of the consolidated financial statements.

Authorized for issue on April 24, 2012 on behalf of WorkSafeBC's Board of Directors:

George Morfitt, FCA
Chair
WorkSafeBC

Robert Smith, MBA
Chair of Audit Committee
WorkSafeBC

Consolidated statement of comprehensive income (loss) for the years ended December 31 ($ Canadian thousands)

Exhibit 2

	Note	2011	2010 (see Note 21)
Revenues			
Premiums	12		
Rateable employers		1,103,493	1,039,896
Self-insured employers	13	41,977	(11,664)
		1,145,470	1,028,232
Investments	4		
Interest income		247	10,202
Income distributions from pooled funds		433,648	365,558
Income distributions from investment corporations		36,870	26,905
Net realized gains (losses) on investments		62,903	61,416
Net unrealized gains (losses) on investments		(45,889)	688,301
		487,779	1,152,382
Other income	14	9,025	13,072
Total revenues		**1,642,274**	**2,193,686**
Expenses			
Claim costs	10		
Benefit payments		1,379,919	1,326,023
Changes in actuarial valuation of benefit liabilities		265,371	(34,734)
		1,645,290	1,291,289
Administration costs			
Administration costs	15	389,088	425,823
Less: Claim administration costs		(229,041)	(247,711)
		160,047	178,112
Injury research and reduction initiatives	16	26,549	17,305
Investment costs	4	23,292	21,905
Total expenses		**1,855,178**	**1,508,611**
Surplus (deficit) for the year		**(212,904)**	**685,075**
Other comprehensive income (loss)			
Items that will not be reclassified to revenues or expenses			
Actuarial gains (losses) on employee benefit plans	9	(86,885)	(63,378)
Total comprehensive income (loss)		**(299,789)**	**621,697**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in funded position for the years ended December 31 ($ Canadian thousands)

Exhibit 3

	Note	2011	2010 (see Note 21)
Unappropriated balance — January 1	21	1,155,102	920,027
Surplus (deficit) from operations for the year	Exhibit 2	(212,904)	685,075
Appropriation to Capital Adequacy Reserve		104,000	(400,000)
Appropriation to Injury Reduction and Return-to-Work Initiatives Reserve		—	(50,000)
Unappropriated balance — December 31		**1,046,198**	**1,155,102**
Accumulated other comprehensive income (loss) — January 1	21	(169,945)	(106,567)
Actuarial gains (losses) of employee benefit plans	9	(86,885)	(63,378)
Accumulated other comprehensive income (loss) — December 31		**(256,830)**	**(169,945)**
Reserves — January 1	11	1,859,000	1,409,000
Appropriation (from) to Capital Adequacy Reserve from unappropriated balance		(104,000)	400,000
Appropriation to Injury Reduction and Return-to-Work Initiatives Reserve from unappropriated balance		—	50,000
Reserves — December 31		**1,755 ,000**	**1,859,000**
Total funded position		**2,544,368**	**2,844,157**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the years ended December 31 ($ Canadian thousands)

Exhibit 4

	Note	2011	2010 (see Note 21)
Cash obtained from (used for) operating activities:			
Cash received from:			
Employers' premiums		1,109,494	1,038,879
Other		9,025	13,072
		1,118,519	1,051,951
Cash paid to:			
Claimants or third parties on behalf of claimants		(1,150,878)	(1,078,311)
Employees and vendors for goods and services		(544,053)	(398,791)
		(1,694,931)	(1,477,102)
Net cash flow from (used for) operating activities		**(576,412)**	**(425,151)**
Cash obtained from (used for) investing activities:			
Investment income distributions		471,170	392,463
Interest income		247	10,202
Sale of portfolio investments		4,133,359	2,839,697
Purchase of portfolio investments		(4,004,696)	(2,796,943)
Sale of property, equipment, and intangible assets		176	19
Purchase of property, equipment, and intangible assets		(25,320)	(14,788)
Net cash flow from (used for) investing activities		**574,936**	**430,650**
Net increase (decrease) in cash and cash equivalents		(1,476)	5,499
Cash and cash equivalents — January 1		(12,023)	(17,522)
Cash and cash equivalents — December 31	6	**(13,499)**	**(12,023)**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the year ended December 31, 2011

NOTE 1 — NATURE OF OPERATIONS

GENERAL INFORMATION

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia (B.C.) Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

WorkSafeBC has its corporate office in Richmond, B.C., Canada, and area offices in various locations throughout the province of B.C.

The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. It is, however, required by the Act to maintain an Accident Fund sufficient to meet all present and future costs and liabilities for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate against the risks in its assets and liabilities. Any balances in the unappropriated balance and accumulated other comprehensive income (loss) are amortized on a five-year averaging basis through adjustments to future premium rates. While International Financial Reporting Standards (IFRS) are the basis of reporting its consolidated financial statements, WorkSafeBC applies a smoothed accounting method for its funding policy (see Financial Context on page 12). This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of WorkSafeBC have been prepared in accordance with IFRS in effect as at December 31, 2011, which have been adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publicly accountable enterprises. WorkSafeBC presents its consolidated statement of financial position in order of liquidity. The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied, except where departure from IFRS is explicitly permitted under the transitional provisions for first-time application of IFRS.

BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on a historical cost basis, except for the carrying value of land, which is measured at deemed cost (fair value at the date of transition to IFRS), and certain financial assets and liabilities, which are measured at fair value, as explained in the accounting policies below.

BASIS OF CONSOLIDATION

WorkSafeBC invests in private placements, foreign real estate, and strategic assets through investment corporations. In each case, WorkSafeBC owns 100 percent of the participating, non-voting shares of the corporation, whereas the British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, owns one non-participating voting share of the corporation. The voting share gives bcIMC full authority to manage these investment corporations on behalf of WorkSafeBC. The substance of the relationship between WorkSafeBC and the investment corporations indicate they are controlled by WorkSafeBC, so as to obtain the majority of benefits and risks.

WorkSafeBC's consolidated financial statements include the revenues and expenses of 46 (2010: 42) investment corporations. The assets and liabilities of the investment corporations are presented on a net asset basis within the portfolio investments on the consolidated statement of financial position. This reflects the substance of the investment holdings by WorkSafeBC. Inter-company balances and transactions have been eliminated upon consolidation. The investment corporations had total net fair value of assets of $1,322,014 as at December 31, 2011 (2010: $1,170,986). The consolidation of these investment corporations resulted in an increase to net assets and unappropriated balance of $12,878 as at December 31, 2011 (2010: $51,311).

NOTE 2 — CONTINUED

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

In accordance with IFRS, WorkSafeBC's consolidated financial statements include management's judgements, assumptions, and estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. As a result, some of the reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, and any related revisions are recorded in the period in which they are adjusted. Consequently, actual results may differ from management's best estimates by significant amounts. Claim benefit liabilities (see Note 10), accrued premiums (see Note 12), and employee benefit assets and liabilities (see Note 9) are the most significant items that reflect estimates in these consolidated financial statements.

SPECIFIC ACCOUNTING POLICIES AND RELATED CRITICAL JUDGEMENTS

To facilitate a better understanding of WorkSafeBC's consolidated financial statements, significant accounting policies and the related critical judgements are disclosed in the notes, where applicable, of the accounting topics. A listing of these notes is as follows:

Note	Topic	Page
3	Receivables	78
4	Portfolio investments	79
5	Property, equipment, and intangible assets	89
6	Outstanding payments	92
7	Payables and accruals	92
8	Injured workers' retirement benefit fund	93
9	Employee benefit assets, liabilities, and costs	93
10	Claim benefit liabilities and costs	99
11	Reserves	104
12	Premiums	105
13	Self-insured employers	106
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CHANGES IN ACCOUNTING POLICY

First-time adoption of International Financial Reporting Standards

These WorkSafeBC consolidated financial statements have been prepared for the first time in accordance with IFRS for the year ended December 31, 2011. The comparative consolidated financial statements for the year ended December 31, 2010 have been restated on an IFRS basis. The date of transition to IFRS was January 1, 2010.

IFRS 1 (*First-time Adoption of IFRS*) allows first-time adopters certain elections and exemptions from the general requirement to apply IFRS. WorkSafeBC has applied the following elections:

- Fair value measurement — An entity may elect to measure an item of property, plant, and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date. This exemption may be applied individually to each asset. WorkSafeBC has applied this election for land.
- Certain financial instruments which would otherwise be classified as amortized cost were elected to be designated as fair value through profit or loss.
- WorkSafeBC elected to present comparative information on certain employee future benefits on a prospective basis since transition to IFRS. The information would otherwise have to be presented on a retrospective basis for the current year and previous four years.

Details of how the transition from previous Canadian GAAP to IFRS has affected the consolidated financial statements are provided in Note 21.

IFRS 9 Phase 1 (Financial Instruments: Classification and Measurement)

In December 2009, the International Accounting Standard Board (IASB) issued Phase 1 of a three-part redrafting of IAS 39 (*Financial Instruments: Recognition and Measurement*). IFRS 9 Phase 1 (*Financial Instruments: Classification and Measurement*) requires reporting entities to classify financial assets based on the objective of an entity's business model for managing its financial assets and the characteristics of the contractual cash flows. IFRS 9 permits two classifications for financial assets — fair value through profit or loss (FVTPL) and amortized cost. All of WorkSafeBC's portfolio investments have been classified as FVTPL under IFRS 9.

IFRS 9 is effective for fiscal years beginning on or after January 1, 2015, with early adoption permitted for 2009 through 2014. WorkSafeBC elected to early adopt IFRS 9 Phase 1 effective January 1, 2011, with retrospective application applied within these consolidated financial statements. The amendments resulted in immediate recognition of fair

value changes in operating surplus or deficit. The impact on the consolidated financial statements was significant (see Note 21 for details).

FUTURE ACCOUNTING AND REPORTING CHANGES

The IASB is continually working towards the improvement and development of new accounting standards. The IASB has issued a number of exposure drafts of new standards which are expected to come into effect over the next several years. WorkSafeBC continually monitors the IASB work plans and publications to assess any potential impact on the organization.

Revisions to standards that could have significant impact on WorkSafeBC include Phase 2 of IFRS 4 (*Insurance Contracts*) and IAS 17 (*Leases*). These projects are currently in the exposure draft phase of development; hence the impact of new or amended standards was not determinable.

International Financial Reporting Standards issued but not effective during 2011

IFRS 10 (*Consolidated Financial Statements*) was issued in May 2011, which superseded and combined IAS 27 (*Consolidated and Separate Financial Statements*) and SIC 13 (*Consolidation — Special Purposes Entities*). The standard is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted. WorkSafeBC has evaluated the potential impact of the change and concluded it is expected to satisfy the elements for control under the new standard and, as such, will continue to consolidate the investment corporations and report on the same basis. IFRS 12 (*Disclosure of Interests in Other Entities*) was also issued in May 2011 and is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted, and is expected to expand disclosures on WorkSafeBC's investments in investment corporations.

IFRS 13 (*Fair Value Measurement*) was issued in May 2011 and is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted. WorkSafeBC has evaluated the potential impact of the standard and concluded there will be no material impact of valuation under the new standard; however, additional disclosures will be required primarily relating to the sensitivity and interrelationships regarding the valuation of Level 3 inputs for portfolio investments.

IAS 19 (*Employee Benefits*) was amended in June 2011 and the amendments are effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted. The amendments are not expected to have a significant impact on the consolidated financial statements: WorkSafeBC's accounting policy, as permitted under the current standard, recognizes actuarial gains and losses immediately within other comprehensive income. The amendments require expanded disclosures regarding the characteristics and risks associated with defined benefit plans.

NOTE 3 — RECEIVABLES ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They primarily arise from premiums, but also incorporate other types of contractual monetary assets. They are carried at cost less any provision for impairment.

Investment transactions pending settlement

Investment transactions pending settlement reflect transactions recorded at trade-date, but not settled at year-end (see Note 4 — Portfolio Investments — Recognition and measurement). These amounts pending settlement are recorded as a receivable and represent outstanding receipts for portfolio investments sold.

Accrued premiums

Employers are required to report their assessable payrolls periodically and remit the premiums owing. The employer reporting and remitting deadline for the period ending December 31 is not until after the year-end, thus WorkSafeBC estimates the unremitted portion of premium revenue. The accrual of premiums is calculated using the estimated assessable payroll for the year and applying current year premium rates. The estimated assessable payroll is determined using the actual reported payroll and projected to December 31 taking into account economic changes in the province.

Self-insured employers

The receivable from self-insured employers represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined. The receivable also includes any unpaid current billings.

Health and safety associations direct special levies

WorkSafeBC is a conduit for the collection and distribution of special levies on behalf of employers in specific industries. The special levies are applied to these employers through the assessment process and distributed to health and safety associations, which primarily engage in occupational health and safety education and activities for the specific industries. The asset reflects the timing difference between amounts collected and distributions to the health and safety associations.

NOTE 3 — CONTINUED

RECEIVABLES

	December 31, 2011	December 31, 2010	January 1, 2010
Investment transactions pending settlement	10,006	—	—
Premiums receivable			
Premiums and accrued premiums	287,136	268,144	264,045
Self-insured employers (Note 13)	117,750	103,467	131,210
	404,886	371,611	395,255
Health and safety associations direct special levies	1,470	2,715	855
Other receivables	26,202	22,815	21,460
Provision for doubtful accounts	(37,345)	(39,643)	(40,481)
	405,219	**357,498**	**377,089**

Changes in the provision for doubtful accounts were as follows:

	Premiums receivable	Other receivables	Total
January 1, 2010	31,900	8,581	40,481
Additions	13,400	6,237	19,637
Write-offs	(900)	(1,277)	(2,177)
Reductions	(12,400)	(5,898)	(18,298)
December 31, 2010	**32,000**	**7,643**	**39,643**
Additions	13,900	6,060	19,960
Write-offs	(4,800)	(3,191)	(7,991)
Reductions	(11,800)	(2,467)	(14,267)
December 31, 2011	**29,300**	**8,045**	**37,345**

NOTE 4 — PORTFOLIO INVESTMENTS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

WorkSafeBC invests in domestic and foreign, long- and short-duration fixed-income investments, publicly traded equities, private placement investments, currency hedges, and real estate holdings, on a segregated basis (held directly) and through pooled fund products and investment corporations managed by the British Columbia Investment Management Corporation (bcIMC).

Classification

All WorkSafeBC's portfolio investments, except real-return bonds, are mandatorily classified as fair value through profit or loss (FVTPL) investments. WorkSafeBC has elected to designate its investments in real-return bonds as FVTPL investments, as permitted under IFRS 9 (*Financial Instruments*). All portfolio investments are reported at fair value. The amounts by which fair values for these investments differ from costs represent unrealized gains or losses and are recognized in investment income on the consolidated statement of comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the consolidated statement of comprehensive income in the year of disposition. Investment income also includes interest income and income distributions from pooled funds and investment corporations.

Recognition and measurement

WorkSafeBC utilizes trade-date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), not on the date the transaction is finalized (the settlement date). If the transaction involves interest, the interest is recorded on the trade date. Where there are investment transactions pending settlement at December 31, this is disclosed as a receivable or payable (see Note 3 and 7).

NOTE 4 — CONTINUED

WorkSafeBC's portfolio investments are initially recognized at cost, with subsequent adjustment to fair value. The fair value of publicly traded investments and forward foreign exchange contracts is based on quoted prices, while that of domestic real estate, foreign real estate, and private placement investments is based on net fair values of these assets supported by independent appraisals using the most appropriate valuation technique for each type of investment (see below — fair value hierarchy).

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Income recognition

For directly held real-return bonds, WorkSafeBC applies the effective interest rate method for income recognition.

WorkSafeBC recognizes investment income from pooled funds when the income is distributed from the fund to the unit holders. These distributions are reinvested into the pool automatically in accordance with bcIMC's pooled funds investment policies.

Income from the private placement and foreign real estate investment vehicles is recognized through consolidation (see Note 2 — basis of consolidation). The consolidated financial statements include income and expenses of the investment corporations with all inter-company transactions eliminated on consolidation.

Fair value adjustments at the reporting date are disclosed as unrealized gains or losses in the consolidated statement of comprehensive income. Realized gains or losses are recognized once the investment or portion thereof has been disposed.

PORTFOLIO INVESTMENTS

	December 31, 2011				December 31, 2010	January 1, 2010
	Investments in pooled funds	Investments held directly	Investments held through investment corporations	Total	Total	Total
Fixed-income investments						
Money market funds	33,354	—	—	33,354	193,133	38,066
Bond funds	3,196,156	—	—	3,196,156	3,156,934	2,994,594
Mortgage funds	548,088	—	—	548,088	567,188	522,133
	3,777,598	—	—	3,777,598	3,917,255	3,554,793
Equity investments						
Canadian index equity funds	1,027,535	—	—	1,027,535	1,132,104	1,246,912
Active Canadian equity funds	730,969	—	—	730,969	798,719	834,882
U.S. index equity funds	186,134	—	—	186,134	177,804	163,065
Active U.S. equity funds	738,681	—	—	738,681	744,767	587,598
International index equity funds	—	—	—	—	37,684	78,324
Active international equity funds	708,504	—	—	708,504	999,418	996,860
Global active equity fund	96,517	—	—	96,517	104,584	100,583
Emerging markets equity fund	319,037	—	—	319,037	378,961	243,749
Currency hedging contracts	—	1,453	—	1,453	12,858	4,492
Currency hedging funds	—	—	—	—	—	3,837
Private placements	—	—	614,069	614,069	588,538	531,202
	3,807,377	1,453	614,069	4,422,899	4,975,437	4,791,504

NOTE 4 — CONTINUED

	December 31, 2011				December 31, 2010	January 1, 2010
	Investments in pooled funds	Investments held directly	Investments held through investment corporations	Total	Total	Total
Inflation-sensitive investments						
Real-return bonds	—	6,098	—	6,098	5,387	702,200
Real-return bond fund	676,224	—	—	676,224	628,529	—
Strategic equity fund	276,773	—	—	276,773	304,347	256,755
Strategic private placements	—	—	530,873	530,873	426,329	389,253
Strategic real estate	—	—	33,993	33,993	30,550	29,055
Domestic real estate funds	1,972,340	—	—	1,972,340	1,663,136	1,423,953
Foreign real estate	—	—	143,079	143,079	125,569	107,081
	2,925,337	6,098	707,945	3,639,380	3,183,847	2,908,297
Total	**10,510,312**	**7,551**	**1,322,014**	**11,839,877**	**12,076,539**	**11,254,594**

All portfolio investments above are liquid in nature, with the exception of the assets listed in the following table. These illiquid assets cannot be sold or converted easily to cash in a timely and cost-effective manner, due to the absence of active markets:

	December 31, 2011	December 31, 2010	January 1, 2010
Equity investments			
Private placements	614,069	588,538	531,202
Inflation-sensitive investments			
Strategic private placements	530,873	426,329	389,253
Strategic real estate	33,993	30,550	29,055
Domestic real estate funds	1,972,340	1,663,136	1,423,953
Foreign real estate	143,079	125,569	107,081
	3,294,354	**2,834,122**	**2,480,544**

INVESTMENT INCOME

	December 31, 2011				December 31, 2010
	Fixed-income investments	Equity investments	Inflation-sensitive investments	Total	Total
Interest income	247	—	—	247	10,202
Income distributions from pooled funds	223,444	210,204	—	433,648	365,558
Income distributions from investment corporations					
Strategic and foreign real estate investments	—	575	206	781	649
Private placements investments	—	15,168	20,921	36,089	26,256
	—	15,743	21,127	36,870	26,905
Realized gains (losses) on investments	22,792	32,648	7,463	62,903	61,416
Unrealized gains (losses) on investments	191,709	(298,923)	61,325	(45,889)	688,301
	438,192	**(40,328)**	**89,915**	**487,779**	**1,152,382**

NOTE 4 — CONTINUED

INVESTMENT EXPENSES

	2011	2010
External investment management fees	22,298	20,931
Internal investment management fees	994	974
	23,292	21,905

FAIR VALUE HIERARCHY

The portfolio investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (*Financial Instruments: Disclosures*). The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that WorkSafeBC has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of: i) quoted prices for similar assets or liabilities in active markets; ii) quoted prices for identical assets or liabilities in non-active markets (e.g., markets that have few transactions and prices are not current or price quotations vary substantially); iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities, credit risks, and default rates); and iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing using the best internal and external information available and are supplied to WorkSafeBC by bcIMC. The valuation approaches applied are the most suitable and appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. The fair values of assets and liabilities measured by level of input were as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
January 1, 2010				
Cash and net receivables/payables	50,075	—	—	50,075
Fixed-income investments	—	4,296,251	148,488	4,444,739
Equity investments	4,430,833	8,636	584,548	5,024,017
Inflation-sensitive investments	6,532	16,796	1,712,435	1,735,763
Total portfolio investments at fair value	**4,487,440**	**4,321,683**	**2,445,471**	**11,254,594**
December 31, 2010				
Cash and net receivables/payables	187,687	—	—	187,687
Fixed-income investments	—	4,582,761	170,277	4,753,038
Equity investments	4,299,306	31,614	690,817	5,021,737
Inflation-sensitive investments	300,316	3,269	1,810,492	2,114,077
Total portfolio investments at fair value	**4,787,309**	**4,617,644**	**2,671,586**	**12,076,539**

NOTE 4 — CONTINUED

December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and net receivables/payables	76,123	—	—	76,123
Fixed-income investments	—	4,508,486	130,347	4,638,833
Equity investments	3,707,384	28,097	748,812	4,484,293
Inflation-sensitive investments	274,994	2,456	2,363,178	2,640,628
Total portfolio investments at fair value	**4,058,501**	**4,539,039**	**3,242,337**	**11,839,877**

During 2010 and 2011, there were no significant transfers of investments between Level 1 and Level 2.

Portfolio Investments measured at fair value using significant unobservable inputs (Level 3):

	2011	2010
Opening balance as at January 1	2,671,586	2,445,471
Realized and unrealized gains (losses)	325,386	227,128
Purchases	689,724	40,527
Settlements	(523,750)	(94,791)
Effect of change in share of unit holdings	79,391	53,251
Closing balance as at December 31	**3,242,337**	**2,671,586**

Unrealized gains of $889 million attributable to assets held at December 31, 2011 (2010: $510 million) are included within the gains in the Level 3 equity instruments.

Level 3 investments comprise primarily of investments in real estate through pooled funds, with property holdings in office, retail, residential, industrial, hospitality real estate, and other real estate enterprises. The potential impact of possible alternative assumptions on the fair value of the pool is not determinable due to the nature of the independent appraisals for each real estate property and the use of other valuation techniques for real estate enterprises. The fair values are determined using the most appropriate appraisal method for each property and the most appropriate valuation technique for real estate enterprises. The effect of change in the share of unit holdings reflects the impact on WorkSafeBC's proportionate holdings within the pool resulting from other pool participants either entering or exiting the pool.

Level 3 investments also include private placement, foreign real estate investments, and strategic real estate held through investment corporations and include limited partnerships and other co-ownership arrangements. Fair values are determined by the external managers of these investments using accepted industry valuation methods such as earnings multiples of comparable publicly traded companies, discounted cash flows, and third-party transactions or other events that suggest a significant change in the value of the investment. The final values are based on audited financial statements or independent valuations — any revisions to the fair value estimates are recorded in the period in which they are adjusted.

PORTFOLIO INVESTMENTS — UNDERLYING ASSETS

The portfolio investments disclosure above shows the investments in pooled funds by type of fund (i.e., the primary investment focus), while investments held directly are shown by type of investment. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside of their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment risk, WorkSafeBC's share of the net assets held in pooled funds is shown in the following table by type of investment. It is combined with the investments held directly and through investment corporations to show total holdings by type of investment.

NOTE 4 — CONTINUED

	December 31, 2011			December 31, 2010	January 1, 2010
	WorkSafeBC's share of net assets of pooled funds	Investments held directly and through investment corporations	Total	Total	Total
Cash and net receivables/payables	71,856	1,712	73,568	187,687	50,075
Money market investments	248,334	8,583	256,917	266,585	144,530
Bonds	3,838,502	153,999	3,992,501	3,929,460	3,786,674
Mortgages	538,592	—	538,592	556,993	513,534
Public equities	4,007,799	—	4,007,799	4,609,414	4,446,195
Derivatives	(4)	2,562	2,558	12,842	5,136
Domestic real estate	1,805,233	—	1,805,233	1,451,259	1,339,063
Foreign real estate	—	132,727	132,727	148,649	132,660
Private placements	—	1,029,982	1,029,982	913,650	836,727
	10,510,312	**1,329,565**	**11,839,877**	**12,076,539**	**11,254,594**

INVESTMENT RISK MANAGEMENT

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2) of the *Workers Compensation Act*. To that end, the Board of Directors has developed an investment policy specifying the acceptable amount of financial risk for investing the funds on a prudent basis to achieve reasonable returns. To assist the Board in discharging these responsibilities, the Board of Directors has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, the management and investment of the portfolio is carried out by bcIMC.

CREDIT RISK MANAGEMENT

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a strong credit rating to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investments in pooled funds, WorkSafeBC mitigates credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bcIMC's internal credit-rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country. The credit ratings of WorkSafeBC's fixed-income securities are listed in the following table. Government and corporate bonds are held through pooled funds, and real-return bonds are held both directly, and indirectly through a pooled fund, by WorkSafeBC.

	December 31, 2011								December 31, 2010		January 1, 2010	
	Indirect investment			Direct investment								
Credit rating	Real-return bonds	Government bonds	Corporate bonds	Real-return bonds	Government bonds	Corporate bonds	Total	Composition	Total	Composition	Total	Composition
AAA/AA	627,924	1,755,265	240,667	6,098	—	231	2,630,185	66%	2,712,529	69%	2,481,909	66%
A	15,097	401,567	432,795	—	147	125	849,731	21%	873,168	22%	1,023,130	27%
BBB	—	—	216,264	—	—	—	216,264	5%	226,790	6%	186,980	5%
Unrated	—	—	148,923	—	—	147,398	296,321	8%	116,973	3%	94,655	2%
Total	643,021	2,156,832	1,038,649	6,098	147	147,754	3,992,501	100%	3,929,460	100%	3,786,674	100%

FOREIGN EXCHANGE RISK MANAGEMENT

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC uses currency hedging strategies, where deemed appropriate, by entering into currency hedging forward contracts managed by bcIMC.

The currency exposure (before hedging) of WorkSafeBC's investments is listed in the following table:

	December 31, 2011						December 31, 2010		January 1, 2010	
Currency	Bonds	Public equities	Foreign real estate	Private placements	Total	Composition	Total	Composition	Total	Composition
Canadian dollars	3,915,126	2,018,809	—	177,381	6,111,316	67%	6,423,872	67%	6,230,881	68%
U.S. dollars	66,890	1,063,866	75,999	647,163	1,853,918	20%	1,654,113	17%	1,526,256	16%
Euros	3,892	98,201	41,514	137,670	281,277	3%	328,977	4%	406,384	4%
British pounds	6,593	89,370	9,981	56,336	162,280	2%	184,766	2%	175,985	2%
Japanese yen	—	15,119	—	260	15,379	—	42,822	—	53,702	1%
Other currencies	—	722,434	5,233	11,172	738,839	8%	966,623	10%	809,048	9%
Total	3,992,501	4,007,799	132,727	1,029,982	9,163,009	100%	9,601,173	100%	9,202,256	100%

INFLATION RISK MANAGEMENT

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually against the increase in the annual Canadian consumer price index (CPI), as measured in October each year, minus 1 percent, up to a maximum annual rate of 4 percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets, including real estate, infrastructure equity investments, and Canadian real-return bonds directly and indirectly through a pooled fund. These bonds are indexed to the annual change in the CPI and have an effective yield of 0.9 percent, excluding the CPI component, at December 31, 2011 (2010: 1.0 percent).

LIQUIDITY RISK MANAGEMENT

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in pooled funds consisting of highly liquid short-term money market and fixed-income assets.

INTEREST RATE RISK MANAGEMENT

Fluctuations in interest rates can affect the fair value of the fixed-income portfolio and shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio through direct holdings

NOTE 4 — CONTINUED

in bonds, and through investments in fixed-income pooled funds with different terms to maturity. The following table summarizes the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its fair value. The average yield of these fixed-term investments, excluding real-return bonds, at December 31, 2011, is 2.4 percent (2010: 3.1 percent).

	December 31, 2011					December 31, 2010	January 1, 2010
	Remaining term to maturity						
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Total	Total
Government bonds							
Fair value	4,535	1,142,888	380,481	629,075	2,156,979	2,178,895	1,884,533
Amortized book value	4,511	1,126,981	354,631	563,645	2,049,768	2,140,354	1,878,615
Corporate bonds							
Fair value	6,937	254,172	622,330	302,964	1,186,403	1,148,110	1,199,941
Amortized book value	6,838	240,628	571,631	267,502	1,086,599	1,094,284	1,165,355
Real-return bonds							
Fair value	—	—	101,618	547,501	649,119	602,455	702,200
Amortized book value	—	—	91,471	449,993	541,464	569,396	646,554
Fixed-term mortgages							
Fair value	62,286	339,844	136,462	—	538,592	556,993	513,534
Amortized book value	61,610	319,554	121,624	—	502,788	532,246	506,724
Total fair value	**73,758**	**1,736,904**	**1,240,891**	**1,479,540**	**4,531,093**	**4,486,453**	**4,300,208**
Amortized book value	**72,959**	**1,687,163**	**1,139,357**	**1,281,140**	**4,180,619**	**4,336,280**	**4,197,428**

REAL ESTATE RISK MANAGEMENT

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and foreign real estate. The sector and geographic breakdown of WorkSafeBC's domestic real estate investments was as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
Sector	Total	Composition	Total	Composition	Total	Composition
Office	1,086,410	48%	923,6[illegible]	50%	834,729	50%
Residential	524,732	23%	328,873	18%	311,004	18%
Industrial	294,816	13%	264,908	15%	244,524	15%
Retail	219,121	10%	190,540	10%	160,554	9%
Hospitality	141,146	6%	133,629	7%	133,038	8%
Net operating assets and liabilities of the fund	(293,885)	—	(178,437)	—	(259,896)	—
Total	**1,972,340**	**100%**	**1,663,136**	**100%**	**1,423,953**	**100%**

NOTE 4 — CONTINUED

Domestic real estate	December 31, 2011 Total	December 31, 2011 Composition	December 31, 2010 Total	December 31, 2010 Composition	January 1, 2010 Total	January 1, 2010 Composition
Ontario	871,543	39%	686,705	37%	617,405	37%
Alberta	792,729	35%	643,172	35%	593,153	35%
B.C.	391,656	17%	338,961	19%	300,796	18%
Quebec	114,344	5%	89,419	5%	98,019	6%
Manitoba	33,010	2%	28,072	2%	25,541	2%
Saskatchewan	30,058	1%	25,811	1%	22,252	1%
Nova Scotia	26,357	1%	23,301	1%	21,138	1%
New Brunswick	4,952	—	4,532	—	4,126	—
P.E.I.	1,197	—	1,098	—	966	—
Newfoundland and Labrador	379	—	502	—	453	—
Net operating assets and liabilities of the fund	(293,885)	—	(178,437)	—	(259,896)	—
Total	**1,972,340**	**100%**	**1,663,136**	**100%**	**1,423,953**	**100%**

INDUSTRY AND GEOGRAPHIC RISK MANAGEMENT

To capture investment opportunities on a worldwide basis, global public equity investments are monitored and reviewed on a quarterly basis. This helps ensure appropriate diversification is achieved.

The industry and geographic breakdown of WorkSafeBC's public equities was as follows:

Industry	December 31, 2011 Canada	U.S.	Non-North America	Total	Composition	December 31, 2010 Total	Composition	January 1, 2010 Total	Composition
Financial services	515,629	84,431	267,825	867,885	22%	1,106,734	24%	1,159,483	26%
Energy	593,040	89,787	100,233	783,060	19%	798,012	17%	843,133	19%
Materials	416,452	33,987	89,705	540,144	13%	780,679	17%	610,864	14%
Information technology	32,894	222,538	128,529	383,961	10%	402,959	9%	399,354	9%
Industrial	164,157	81,258	92,987	338,402	8%	434,848	9%	397,443	9%
Consumer discretionary	79,640	138,865	92,987	311,492	8%	336,690	7%	301,575	7%
Consumer staple	57,023	89,379	132,941	279,343	7%	277,473	6%	262,929	6%
Health care	28,334	124,654	46,407	199,395	5%	197,265	4%	190,128	4%
Telecommunication services	91,186	18,194	82,763	192,143	5%	165,622	4%	178,050	4%
Utilities	29,958	12,915	40,118	82,991	2%	79,715	2%	94,481	2%
Other	8,602	—	20,381	28,983	1%	29,417	1%	8,755	—
Total	**2,016,915**	**896,008**	**1,094,876**	**4,007,799**	**100%**	**4,609,414**	**100%**	**4,446,195**	**100%**

NOTE 4 — CONTINUED

MARKET RISK

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors, such as public equity prices, interest rates, foreign exchange rates, and real estate and private placement valuations. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by bcIMC and the Investment Committee, and through risk monitoring and diversification of the portfolio. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The following tables provide estimates of the potential dollar impact on the fair value of investments, when there are material changes in key risk variables, such as equity market indexes, interest rates, Canadian dollar exchange rates, and real estate and private placement valuations. Each table shows the potential impact under normal market conditions within the 12-month period following the balance sheet date. The lower of the two risk scenarios represents the more likely consequence for the specific asset class if market forces move in an adverse direction. The higher risk scenario is less likely to occur. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from extreme market conditions and events.

Price risk

The following table presents the estimated effect of a material adverse change in the equity index benchmark for each geographic category of the public equity investments. The standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31, 2011.

Public equities	One standard deviation	Two standard deviations
Percentage decrease in market benchmark	17.0%	34.0%
Estimated loss in fair value — Canadian equity pooled funds	$345,000	$690,000
Percentage decrease in market benchmark	12.9%	25.8%
Estimated loss in fair value — global equity pooled funds (including U.S., global, and international)	$225,000	$445,000
Percentage decrease in market benchmark	20.0%	39.9%
Estimated loss in fair value — emerging markets equity pooled funds	$65,000	$125,000

Interest rate risk

The following table presents the estimated effect of a material adverse change in the nominal and real interest rates on the bond and mortgage investments.

	Scenario 1	Scenario 2
Basis points increase in nominal interest rate	75bp	150bp
Estimated loss in fair value — bond pooled funds	$155,000	$310,000
Basis points increase in nominal interest rate	75bp	150bp
Estimated loss in fair value — mortgage pooled funds	$10,000	$15,000
Basis points increase in real interest rate	75bp	150bp
Estimated loss in fair value — real-return bonds	$80,000	$160,000

NOTE 4 — CONTINUED

Currency risk

The following table presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and Canadian dollar/Euro exchange rates on foreign currency based investments in public equities, real estate, and private placements. For the purpose of this analysis the base exchange rates are the exchange rates at December 31, 2011.

	Scenario 1	Scenario 2
Appreciation in the Canadian dollar (vs. U.S. dollar)	10%	20%
Estimated loss in fair value — public equities, real estate, private placements, and bonds	$170,000	$310,000
Appreciation in the Canadian dollar (vs. Euro)	10%	20%
Estimated loss in fair value — public equities, real estate, private placements, and bonds	$25,000	$45,000

Valuation risk

The following table presents the estimated effect of a material adverse change in the valuations of the investments in domestic real estate, foreign real estate, and private placements.

	Scenario 1	Scenario 2
Decline in value of assets	10%	20%
Estimated loss in fair value — domestic real estate	$195,000	$395,000
Estimated loss in fair value — foreign and strategic real estate	$20,000	$35,000
Estimated loss in fair value — private placements	$115,000	$230,000

ENCUMBRANCES

As at December 31, 2011, real-return bonds valued at $6.1 million (2010: $5.4 million), on a fair value basis were pledged as collateral for the issuance of a letter of credit to guarantee U.S. $2.1 million of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected that the pledge will be required as long as the credit facilities are required by Transelec S.A.

NOTE 5 — PROPERTY, EQUIPMENT, AND INTANGIBLE ASSETS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICIES

Recognition and measurement

Property, equipment, and intangible assets are reported at historical cost less accumulated depreciation/amortization and any amount for impairment, except for land. Land is reported at deemed cost — the fair value as at the date of transition to IFRS (January 1, 2010), as elected under IFRS 1, with any subsequent acquisitions of land measured at historical cost.

Operating systems represent the direct costs incurred in developing new internally generated systems. The costs are deferred and begin to be amortized on a straight-line basis on the date the asset is ready to use. Project costs incurred in the definition stage for feasibility studies are recognized in the consolidated statement of comprehensive income as incurred.

Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the asset — either a significant extension of the asset's expected useful life, or major enhancements to the functions of the asset.

Expenditures incurred to replace a component of an asset are separately capitalized and the replaced component is derecognized. All other expenditures, including maintenance, costs of minor enhancements, and costs of minor extension of an asset's useful life are recognized in the consolidated statement of comprehensive income as incurred.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of a leased item, are capitalized as assets, at the inception of the lease, at the present value of the minimum lease payments. The carrying value of leased office equipment held under these finance leases at December 31, 2011 was $4,474 (2010: $3,486).

Measurement of land

WorkSafeBC elected to use fair value at the date of transition to IFRS (January 1, 2010) as the deemed cost for land — a one-time election available under IFRS 1 (*First-time Adoption of IFRS*). The fair value of land at the date of transition was $145,873 and the adjustment to the carrying amount of land was $142,113, recognized directly in the unappropriated balance. The fair value was determined by an independent property

NOTE 5 — CONTINUED

appraisal company, having appropriate recognized professional qualifications and recent experience in the location and type of property being appraised. Acquisitions of land, subsequent to January 1, 2010, will be measured at historical cost.

Depreciation and amortization

Depreciation and amortization is charged to the consolidated statement of comprehensive income, beginning on the date the asset is ready for use, on a straight-line basis over the estimated useful life of the asset or the major components of an asset. Useful lives and any residual values of assets are reviewed annually to take into account any change in circumstances including technological obsolescence, redundancy due to change in business strategy or economic conditions, and physical deterioration or loss. Land is not depreciated as it is deemed to have an indefinite life.

The range of estimated useful lives of assets is as follows:

Property and equipment:	
Buildings	10 to 40 years
Equipment	2 to 7 years
Furniture	10 years
Vehicles	7 years
Intangible assets:	
Operating systems	5 to 10 years
Computer software	3 years

Impairment

Property, equipment, and intangible assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review. If an asset is impaired, an impairment loss is recognized in the consolidated statement of comprehensive income.

IAS 36 (*Impairment of Assets*) requires an entity to test assets for impairment when indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, WorkSafeBC has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeBC has statutory power under the *Workers Compensation Act* to increase premiums and/or impose levies to ensure full funding into the foreseeable future, impairment at the entity level is remote. On an annual basis, WorkSafeBC conducts a review to ensure that no events or change in circumstances have occurred that would provide evidence of impairment.

As at December 31, 2011, management conducted an impairment indicator review at the entity level, which confirmed there were no significant indicators of impairment — changes in the legislative, economic, or business environment — that would have a material impact on WorkSafeBC's ability to generate future economic benefits from its operating (non-financial) assets.

PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture and equipment	Vehicles	Total
Cost	145,873	101,632	36,653	11,672	295,830
Accumulated depreciation	—	55,888	24,335	5,552	85,775
Balance at January 1, 2010	**145,873**	**45,744**	**12,318**	**6,120**	**210,055**
Changes during the year:					
Cost					
Additions	—	3,216	5,600	1,103	9,919
Disposals	—	(37)	(7,822)	(816)	(8,675)
Accumulated depreciation					
Depreciation	—	4,254	6,057	1,566	11,877
Disposals	—	(36)	(7,820)	(810)	(8,666)
Balance at December 31, 2010	**145,873**	**44,705**	**11,859**	**5,651**	**208,088**
Representing:					
Cost	145,873	104,811	34,431	11,959	297,074
Accumulated depreciation	—	60,106	22,572	6,308	88,986
Balance at December 31, 2010	**145,873**	**44,705**	**11,859**	**5,651**	**208,088**

NOTE 5 — CONTINUED

	Land	Buildings	Furniture and equipment	Vehicles	Total
Changes during the year:					
Cost					
Additions	—	3,520	5,946	426	9,892
Disposals	—	—	(6,256)	(1,002)	(7,258)
Accumulated depreciation					
Depreciation	—	4,286	5,971	1,577	11,834
Disposals	—	—	(6,227)	(921)	(7,148)
Balance at December 31, 2011	**145,873**	**43,939**	**11,805**	**4,419**	**206,036**
Representing:					
Cost	145,873	108,331	34,121	11,383	299,708
Accumulated depreciation	—	64,392	22,316	6,964	93,672
Balance at December 31, 2011	**145,873**	**43,939**	**11,805**	**4,419**	**206,036**

Included in the buildings are deferred costs of $2,189 (2010: $1,419) for construction. Depreciation of these assets will begin when they are ready to use.

INTANGIBLE ASSETS

	Computer software	Operating systems	Total
Cost	16,082	200,159	216,241
Accumulated amortization	14,294	102,476	116,770
Balance at January 1, 2010	**1,788**	**97,683**	**99,471**
Changes during the year:			
Cost			
Additions	401	7,668	8,069
Disposals	(2,495)	(7,112)	(9,607)
Accumulated amortization			
Amortization	1,125	14,021	15,146
Disposals	(2,495)	(7,102)	(9,597)
Balance at December 31, 2010	**1,064**	**91,320**	**92,384**
Representing:			
Cost	13,988	200,715	214,703
Accumulated amortization	12,924	109,395	122,319
Balance at December 31, 2010	**1,064**	**91,320**	**92,384**
Changes during the year:			
Cost			
Additions	4,686	10,741	15,427
Disposals	(408)	(1,329)	(1,737)
Accumulated amortization			
Amortization	994	14,210	15,204
Disposals	(408)	(1,329)	(1,737)
Balance at December 31, 2011	**4,756**	**87,851**	**92,607**
Representing:			
Cost	18,266	210,127	228,393
Accumulated amortization	13,510	122,276	135,786
Balance at December 31, 2011	**4,756**	**87,851**	**92,607**

NOTE 5 — CONTINUED

Included in the computer software and operating systems are deferred costs of $1,484 and $2,369, respectively (2010 operating systems: $5,825). Amortization of these assets will begin when they are ready to use.

NOTE 6 — OUTSTANDING PAYMENTS ($ CANADIAN THOUSANDS)

Outstanding payments represent the value of cheques issued but not cashed. WorkSafeBC has an overdraft facility of $285 million.

OUTSTANDING PAYMENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Outstanding cheques	13,499	12,023	17,522

NOTE 7 — PAYABLES AND ACCRUALS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

Payables and accruals are financial liabilities which represent obligations to pay for goods or services received by WorkSafeBC in the ordinary course of operations. WorkSafeBC recognizes a liability and an expense for goods upon receipt or transfer of control, and for services when they have been performed. Other payables include various amounts on deposit from self-insured employers. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period, except for the two- to five-year finance lease obligations as shown in the table below.

Investment transactions pending settlement

Investment transactions pending settlement reflect transactions recorded at trade-date, but not settled at year-end (see Note 4 — Portfolio Investments — Recognition and measurement). These amounts pending settlement are recorded as a payable and represent outstanding payments for portfolio investments purchased.

Finance lease obligations

WorkSafeBC's leases of personal computers and printers are classified as finance leases. The determination of whether an arrangement is a finance lease, which transfers substantially all the risks and benefits incidental to ownership of the leased item, is based upon the substance of the arrangement at the inception of the lease. The lease obligation and asset is recognized at the inception of the lease and measured at the present value of the minimum lease payments, applying the interest rate implicit in the lease. Monthly payments are apportioned between finance charges (charged to operating surplus or deficit) and the reduction of lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability.

PAYABLES AND ACCRUALS

	December 31, 2011	December 31, 2010	January 1, 2010
Investment transactions pending settlement	—	115,096	105
Accrued staff salaries	30,580	42,593	28,535
Vendor payables	22,763	25,948	18,087
Finance lease obligations	4,609	3,594	3,727
Other payables	8,200	3,625	15,802
	66,152	**190,856**	**66,256**

The terms of the finance leases are two and three years for personal computers and five years for printers, with the interest rate implicit in the lease averaging 5.3 percent as at December 31, 2011 (December 31, 2010: 5.6 percent; January 1, 2010: 6.3 percent).

NOTE 7 — CONTINUED

Lease payments under finance leases were as follows:

	December 31, 2011			December 31, 2010			January 1, 2010		
	Minimum lease payments	Finance charges	Present value	Minimum lease payments	Finance charges	Present value	Minimum lease payments	Finance charges	Present value
0–1 year	2,420	68	2,352	2,194	65	2,129	2,365	79	2,286
2–5 years	2,490	233	2,257	1,633	168	1,465	1,661	220	1,441
	4,910	**301**	**4,609**	**3,827**	**233**	**3,594**	**4,026**	**299**	**3,727**

NOTE 8 — INJURED WORKERS' RETIREMENT BENEFIT FUND ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

The injured workers' retirement benefit fund is a financial liability which represents obligations under Section 23.2 of the *Workers Compensation Act*, effective for all injuries occurring June 30, 2002 and thereafter. This section requires that WorkSafeBC set aside a monthly amount for permanently disabled workers, equal to 5 percent of a worker's permanent disability monthly benefit payment, into a retirement benefit fund. This amount is over and above the benefit payment issued monthly and is separate from the long-term disability benefit liability (see Note 10). In addition, a worker may voluntarily choose to contribute between 1 percent and 5 percent of his or her monthly benefit into that fund.

WorkSafeBC recognizes a liability for these amounts when the worker's permanent disability monthly benefit is paid. The injured workers' retirement benefit fund earns interest at the greater of WorkSafeBC's annual smoothed accounting rate of return or the Government of Canada 90-day Treasury bill rate. The future cash flows to be paid to a worker are discounted equal to the rate at which the fund earns income. Upon the earlier of death or attaining the age of 65, workers (or their beneficiary in the case of death) receive a lump-sum payout of these amounts and the liability is derecognized.

INJURED WORKERS' RETIREMENT BENEFIT LIABILITY

Changes in the injured workers' retirement benefit fund were as follows:

	2011	2010
Balance January 1	10,768	7,570
Investment income	647	302
Contributions by WorkSafeBC	3,998	2,829
Contributions by injured workers	564	452
Benefits paid	(692)	(385)
Balance December 31	**15,285**	**10,768**

NOTE 9 — EMPLOYEE BENEFIT ASSETS, LIABILITIES AND COSTS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICIES

Post-employment benefits

WorkSafeBC has employee benefit plans that provide pension benefits (vesting after two years of service) and post-employment health care benefits for its employees. The cost of the plans and the present value of the obligations are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of returns on assets, future salary increases, mortality rates, and future pension changes. Due to the complexity of the valuations, the underlying assumptions, and the long-term nature, the obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of key assumptions used in the estimates are disclosed below.

WorkSafeBC and its employees contribute to the Workers' Compensation Board (WCB) Superannuation Plan, a registered defined benefit plan. The plan provides pensions based on length of service and the best five-year average earnings of the employee. The pensions vest after two years of contributory service. For funding purposes, and to determine the employee

and employer contribution rates, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2009. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2009 funding valuation results were used to derive the projected liabilities at year-end.

The WCB Superannuation Plan is subject to the *Pension Benefit Standards Act* of British Columbia and, as such, requires certain certifications with respect to the solvency of the plan. The last actuarial valuation, as at March 31, 2009, resulted in required minimum solvency amortization payments of $10.5 million per year for five years from March 31, 2009. Pursuant to Section 35.1 of the B.C. Pension Benefits Standard Regulation, WorkSafeBC used a letter of credit to secure the solvency amortization payments that would have been otherwise payable in the period April 1, 2009 to December 31, 2010. The $19-million letter of credit was issued on February 8, 2010 and expired on January 31, 2011. On January 31, 2011, a lump-sum contribution of $139 million was made by WorkSafeBC to the plan. With this contribution, there is no requirement to contribute annual minimum solvency amortization payments that would have been otherwise payable.

WorkSafeBC also has a supplementary executive retirement plan (SERP), established effective January 1, 2009, to provide additional pension benefits to designated executives. The pension benefits in the supplementary executive plan, which is not funded, are based on the same earnings as the WCB Superannuation Plan. For financial reporting purposes, an actuarial valuation for the SERP was carried out as of December 31, 2011. The SERP amounts are included in the detailed disclosures for the employee pension plan in tables within this note. The present value of defined benefit obligation for the SERP at December 31, 2011 was $796 (December 31, 2010: $375).

In addition, WorkSafeBC has a financial obligation relating to the basic medical and extended health care benefits it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of the pension and post-employment health care benefits earned by employees is actuarially determined using the projected benefit method prorated on service and actuarial assumptions about discount rates, expected returns on assets, future salary increases, future pension increases, retirement ages of employees, mortality rates, and expected health care costs. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

All actuarial gains and losses are recognized as they occur through other comprehensive income. As at the date of transition to IFRS (January 1, 2010), WorkSafeBC recognized all unamortized net actuarial gains and losses directly to accumulated other comprehensive income.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the following table:

	Pension plan		Post-employment health care plans	
	2011	2010	2011	2010
Discount rate	4.30%	5.25%	4.30%	5.25%
Expected return on plan assets	4.30%	5.25%	—	—
Future salary increases/health care cost increases	1.30%	2.25%	3.30%	4.25%

The rates shown in the 2011 column were effective as of December 31, 2011. The rates were applied in determining the benefit plan balances at December 31, 2011. The rates shown in the 2010 column were effective from December 31, 2010 to December 30, 2011. The 2010 rates were applied in determining the 2011 benefit plan expenses.

Long-term disability benefits

Long-term disability benefits are provisions that represent the present obligation for the amount of income to be provided to employees who are unable to work for a long time due to non-work-related illness or injury. WorkSafeBC recognizes the provision when the disability occurs. Each reporting period, the present value of the obligation is calculated using a discount rate equal to the CPI plus 3 percent. The discount rate used for 2011 was 5.9 percent (2010: 5.4 percent).

Long service benefits

Long service benefits are liabilities that represent the amount payable to employees who have completed at least 10 years of service with WorkSafeBC. WorkSafeBC recognizes the liability as the employees render the service which accumulates towards

NOTE 9 — CONTINUED

the entitlement of the long service benefits. The benefit vests after 10 years of service, with payment made upon termination, death, or retirement. WorkSafeBC has recognized the expected benefit liability applying a 3.5 percent discount rate (2010: 4.2 percent) equal to the yield on high quality corporate bonds with the same estimated term as the liability.

Other benefits

Other benefits include liabilities for WorkSafeBC claims from WorkSafeBC employees and accumulated sick leave.

WorkSafeBC claims are liabilities representing the present obligation for expected employee claim costs. WorkSafeBC recognizes the provision when the claim is accepted. Each reporting period, the present value of the obligation is calculated using a net discount rate (with respect to CPI inflation) of 3.0 percent for 2011 (2010: 3.0 percent).

Accumulated sick leave represents the future payments expected to exceed the annual current entitlement that can be used by employees in future periods. The accumulated sick leave does not vest. WorkSafeBC recognizes the sick leave benefit obligation as the employees render the service which accumulates entitlement.

EMPLOYEE BENEFIT LIABILITIES

WorkSafeBC has several employee benefit plans including pension benefits, post-employment health care benefits, long-term disability benefits, long service benefits, and other benefits liabilities, comprised of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Post-employment health care benefit plans	147,917	141,911	127,352
Employee pension plan	—	43,532	—
Accrued long-term disability	68,000	64,000	54,400
Accrued long service benefits	31,281	31,740	26,013
Accrued other benefits	6,767	6,153	5,959
	253,965	287,336	213,724

EMPLOYEE BENEFIT PLANS — ASSET, LIABILITY, AND EXPENSES

The amounts recognized in the consolidated statement of financial position are determined as follows:

	Pension plan		
	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit obligation	(1,241,344)	(1,069,322)	(930,188)
Fair value of plan assets	1,245,614	1,025,790	940,614
Funded status — plan surplus (deficit)	4,270	(43,532)	10,426
Benefit asset (liability)	4,270	(43,532)	10,426

	Post-employment health care plans		
	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit obligation	(147,917)	(141,911)	(127,352)
Fair value of plan assets	—	—	—
Funded status — plan surplus (deficit)	(147,917)	(141,911)	(127,352)
Benefit asset (liability)	(147,917)	(141,911)	(127,352)

NOTE 9 — CONTINUED

Changes in the defined benefit obligation were as follows:

	Pension plan		Post-employment health care plans	
	2011	2010	2011	2010
Balance January 1	1,069,322	930,188	141,911	127,352
Current service cost	26,251	21,622	5,651	5,305
Employer contribution receivable	(156)	—	—	—
Interest cost	55,721	57,946	7,381	7,987
Contributions by plan participants	14,209	13,062	—	—
Net transfers in from other plans	2,120	2,738	—	—
Actuarial losses (gains)	108,338	72,703	(4,368)	3,645
Benefits paid	(34,461)	(28,937)	(2,658)	(2,378)
Balance December 31	**1,241,344**	**1,069,322**	**147,917**	**141,911**

Changes in the fair value of plan assets were as follows:

	Pension plan		Post-employment health care plans	
	2011	2010	2011	2010
Balance January 1	1,025,790	940,614	—	—
Expected return on plan assets	61,259	58,736	—	—
Actual return over expected return on plan assets	17,085	12,970	—	—
Employer contributions	161,526	26,607	2,658	2,378
Employer contribution receivable	(1,914)	—	—	—
Employee contributions	14,209	13,062	—	—
Benefits paid	(34,461)	(28,937)	(2,658)	(2,378)
Net transfers in from other plans	2,120	2,738	—	—
Balance December 31	**1,245,614**	**1,025,790**	**—**	**—**

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Pension plan		Post-employment health care plans	
	2011	2010	2011	2010
Recognized in administration expenses:				
Employer current service cost	26,251	21,622	5,651	5,305
Interest cost	55,721	57,946	7,381	7,987
Expected loss (return) on plan assets	(61,259)	(58,736)	—	—
	20,713	**20,832**	**13,032**	**13,292**
Recognized in other comprehensive income:				
Actuarial losses (gains) on plan liabilities	108,338	72,703	(4,368)	3,645
Actuarial losses (gains) on plan assets	(17,085)	(12,970)	—	—
	91,253	**59,733**	**(4,368)**	**3,645**
Total benefit plan expenses	**111,966**	**80,565**	**8,664**	**16,937**

NOTE 9 — CONTINUED

Cumulative actuarial gains (losses) recognized in other comprehensive income:

	Pension plan		Post-employment health care plans	
	2011	2010	2011	2010
As at January 1	(148,878)	(89,145)	(21,067)	(17,422)
Actuarial gains (losses) on plan liabilities for the year	(108,338)	(72,703)	4,368	(3,645)
Actuarial gains (losses) on plan assets for the year	17,085	12,970	—	—
As at December 31	**(240,131)**	**(148,878)**	**(16,699)**	**(21,067)**

SENSITIVITY OF POST-EMPLOYMENT HEALTH CARE BENEFIT PLAN EXPENSES

Assumed health care cost trends have a significant effect on the amounts recognized in the consolidated statement of comprehensive income. The effect of a one percent movement in the assumed health care cost trend rate is as follows:

	2011		2010	
	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate current service cost and interest cost	3,001	(2,370)	3,106	(2,473)
Effect on the defined benefit obligation	27,746	(23,073)	27,294	(22,616)

PENSION PLAN ASSETS

The major categories of pension plan assets and the asset allocation are as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Fair value	Composition	Fair value	Composition	Fair value	Composition
Fixed-income investments	396,615	32%	354,439	35%	313,640	33%
Equity investments	527,436	42%	432,281	42%	403,209	43%
Inflation-sensitive investments	321,563	26%	239,070	23%	223,765	24%
	1,245,614	**100%**	**1,025,790**	**100%**	**940,614**	**100%**

The overall expected rate of return on assets — 4.30 percent for 2011 (2010: 5.25 percent) — has been set to equal the discount rate, which is based on market yields of high-quality corporate bonds at year-end. The actual rate of return on plan assets was 6.7 percent for 2011 (2010: 7.6 percent).

NOTE 9 — CONTINUED

HISTORICAL INFORMATION OF EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS

WorkSafeBC has elected to utilize the exemption available under IFRS 1 (*First-time Adoption of IFRS*) and is presenting comparative information only since the transition to IFRS instead of the five years in accordance with IAS 19 as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Pension plan:			
Present value of defined benefit obligation	(1,241,344)	(1,069,322)	(930,188)
Fair value of plan assets	1,245,614	1,025,790	940,614
Surplus (deficit)	4,270	(43,532)	10,426
Post-employment health care plan:			
Present value of defined benefit obligation	(147,917)	(141,911)	(127,352)

	2011	2010
Pension plan:		
Experience adjustments on plan liabilities	—	—
Experience adjustments on plan assets	17,085	11,385
Post-employment health care plan:		
Experience adjustments on plan liabilities	4,368	(3,645)

WorkSafeBC anticipates that $39,444 will be contributed to the defined benefit pension plan during 2012, comprised of $15,792 from employee contributions, and $23,652 from employer contributions.

RELATED PARTY TRANSACTIONS — PENSION PLAN

WorkSafeBC provides pension plan benefits for its employees. Transactions with the Workers' Compensation Board Superannuation Plan are transactions between related parties and are detailed in the following table:

	2011	2010
Transactions:		
Contributions from employees	14,289	13,141
Contributions from employer	161,526	26,607

All terms and conditions of the post-employment benefit plans remained unchanged throughout 2010 and 2011. The plans did not provide guarantees to any parties.

NOTE 10 — CLAIM BENEFIT LIABILITIES AND COSTS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

WorkSafeBC determines its claim benefit liabilities at the end of each year for all injuries that have taken place to that time. WorkSafeBC recognizes claim benefit liabilities in the year that a reported compensable workplace injury occurs or a disease is diagnosed, as defined by the *Workers Compensation Act* of British Columbia and/or by WorkSafeBC policy.

The benefit liabilities are measured, by applying actuarial methods, as the present value of all future benefit payments expected to be made for claims occurring in the current fiscal year or in any prior year. Benefit liabilities include provision for all benefits covered by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities fall into two categories:

- The unfinalled claim liabilities consisting of:
  - A provision for future payments on claims that have not been finalized to date and
  - The capitalized value of the estimated future cost of administering existing claims
- The capitalized value of future monthly payments for pension awards already made (the pension fund liabilities) under the long-term disability and survivor benefits

WorkSafeBC appoints an independent consulting actuary who examines the benefit liabilities, underlying assumptions, and methods, thereupon issuing a report to WorkSafeBC. The opinion of the consulting actuary is appended to these consolidated financial statements.

Liability for long latency occupational disease claims

In March 2011, the Canadian Actuarial Standards Board issued new actuarial standards of practice for workers' compensation organizations requiring the recognition of a liability for long-latency occupational diseases — occupationally caused diseases which will manifest as claims in future years for which there has already been partial exposure to the disease-causing agent, but no current disease diagnosis. The new standards are applicable to calculations dates on or after December 31, 2014. The delayed implementation is to permit workers' compensation organizations to prepare and establish methods for calculating this liability. To this end, the Canadian Institute of Actuaries Workers' Compensation Committee has initiated a research project to help provide guidance on this liability calculation. This liability could be significant; it is anticipated WorkSafeBC will begin recognizing the liability in 2014.

ASSUMPTIONS AND ACTUARIAL METHODS

The following table summarizes the main underlying actuarial assumptions used in estimating the two categories of benefit liabilities noted above:

	Actuarial assumptions							
				Economic assumptions				
	Runoff pattern	Future mortality	Expense rate	Investment return	CPI increase	Wage growth	Health care inflation	Claim adminis-tration inflation
Unfinalled claims liabilities								
Short-term disability	✔			✔	✔	✔		
Long-term disability	✔	✔		✔	✔	✔		
Survivor benefits	✔	✔		✔	✔	✔		
Health care	✔			✔			✔	
Vocational rehabilitation	✔			✔	✔	✔		
Claim administration			✔	✔	✔	✔		✔
Pension fund liabilities								
Long-term disability		✔		✔	✔			
Survivor benefits		✔		✔	✔			

Runoff pattern

Methods and assumptions

The runoff pattern for the unfinalled claims is intended to be an unbiased estimate of the future cost runoff on existing claims. It is normally calculated using the average runoff pattern of the most recent five calendar years. This averaging period may be modified where there is reason to believe the observed experience in the most recent five years is not representative of future expected payments.

Strengths and limitations

The main strength of this methodology is that it recognizes recent payment patterns which normally should be more representative of future payment patterns, at least in the short to medium term. Furthermore using a multi-year average pattern provides greater credibility to the runoff pattern assumption and reduces the impact of random statistical fluctuations.

The main limitation of the method is that the recent payment pattern is assumed to apply to the long-tailed portion of the business (mainly long-term disability and health care) which may extend as much as 50 years from the date of injury. The risk is that actual future payment patterns will differ from those assumed increases as one moves into the medium to long duration portion of the liability.

Future mortality

Methods and assumptions

Future mortality rates need to be estimated to determine the liability for monthly pensions established for long-term disability claimants and the dependants who receive survivor benefits. This mortality basis is used both for the unfinalled claims liability and the pension fund liability.

The mortality assumption is intended to be an unbiased estimate of future mortality experience among WorkSafeBC pension recipients (claimants and survivors).

The mortality assumption is determined by a two-stage process:

- First, the mortality levels currently experienced by pensioners (long-term disability and survivor benefits) are measured via a study of recent actual experience of these claimants and survivors.
- The mortality rates thus determined are then projected forward. This involves reducing the mortality rates to allow for anticipated greater longevity in the future. The improvement rates used are based on studies and projections by the Social Security Administration (SSA) agency in the United States.

Strengths and limitations

The main strength of this methodology is that the actual mortality experience of WorkSafeBC pension recipients (claimants and survivors) is used as the starting point in arriving at a mortality assumption.

The main limitation of the methodology is the risk that the future mortality improvements of these pension recipients will deviate from the assumed improvements derived from the SSA studies.

Expense rate

Methods and assumptions

The expense rate is the ratio of claim administration costs divided by benefit dollars paid (or capitalized, in the case of pension awards) — how much it costs to pay one dollar of claims benefit.

The expense rates are determined by a periodic study examining the actual claims administration expenses (over all cost centres in WorkSafeBC) incurred in a given year as a proportion of the claims payments/awards in that year. These expense rates vary by benefit type and are intended to represent the ongoing cost of administering existing claims. These expense rates are the prime drivers for the calculation of the claims administration liability.

Strengths and limitations

The main strength of this methodology is that the actual expense levels and actual claims payment/award levels of WorkSafeBC are reflected in the derivation of the expense rates: the expense levels are those actually being experienced by WorkSafeBC.

The main limitation of the methodology is the risk that future expense levels will deviate from current expense levels and thus either understate or overstate the claims administration liability.

Economic assumptions

These benefits are calculated using a discount rate of 3.0 percent — the assumption is that investment income will be earned at an annual rate 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates used in calculating the various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate
Health care inflation	0.5%
Wage growth	2.0%
Claim administration inflation	2.5%
Benefits indexed to inflation minus 1%	4.0%

NOTE 10 — CONTINUED

BENEFIT LIABILITIES

	2011							2010
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	284,556	5,649,938	859,098	1,775,617	193,947	626,213	9,389,369	9,424,103
Add: Claim costs:								
Current year's injuries	271,752	231,919	23,100	296,326	67,523	199,202	1,089,822	1,024,671
Prior years' injuries	41,244	186,652	49,482	178,270	65,952	33,868	555,468	266,618
	312,996	418,571	72,582	474,596	133,475	233,070	1,645,290	1,291,289
Less: Claim payments made:								
Current year's injuries	147,294	833	1,044	91,949	1,252	88,430	330,802	331,494
Prior years' injuries	146,058	400,569	63,777	199,179	98,923	140,611	1,049,117	994,529
	293,352	401,402	64,821	291,128	100,175	229,041	1,379,919	1,326,023
Balance — December 31	**304,200**	**5,667,107**	**866,859**	**1,959,085**	**227,247**	**630,242**	**9,654,740**	**9,389,369**
Represented by:								
Provision for unfinalled claims	304,200	1,824,522	73,068	1,959,085	227,247	630,242	5,018,364	4,851,323
Pension awards, capitalized values	—	3,842,585	793,791	—	—	—	4,636,376	4,538,046
	304,200	**5,667,107**	**866,859**	**1,959,085**	**227,247**	**630,242**	**9,654,740**	**9,389,369**

The following is a reconciliation of the claim benefit liabilities:

	2011							2010
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	284,556	5,649,938	859,098	1,775,617	193,947	626,213	9,389,369	9,424,103
Add:								
Provision for current year's injuries	124,458	231,086	22,056	204,377	66,271	110,772	759,020	693,177
Accretion expense for prior years' liabilities	13,409	324,352	49,472	100,428	9,687	33,512	530,860	490,138
Prior years' claim costs experience higher (lower) than expected	27,835	(137,700)	10	77,842	56,265	356	24,608	(223,520)
	165,702	417,738	71,538	382,647	132,223	144,640	1,314,488	959,795
Less:								
Payments for prior years' injuries	146,058	400,569	63,777	199,179	98,923	140,611	1,049,117	994,529
Balance — December 31	**304,200**	**5,667,107**	**866,859**	**1,959,085**	**227,247**	**630,242**	**9,654,740**	**9,389,369**

Accretion expense for prior years' liabilities represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

NOTE 10 — CONTINUED

CHANGES IN ACTUARIAL VALUATION OF BENEFIT LIABILITIES

	2011			2010		
	Claim costs	*Less:* Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	*Less:* Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability	312,996	293,352	19,644	258,157	278,617	(20,460)
Long-term disability	418,571	401,402	17,169	215,707	368,359	(152,652)
Survivor benefits	72,582	64,821	7,761	75,399	62,241	13,158
Health care	474,596	291,128	183,468	361,008	283,072	77,936
Vocational rehabilitation	133,475	100,175	33,300	99,274	86,023	13,251
	1,412,220	1,150,878	261,342	1,009,545	1,078,312	(68,767)
Claim administration	233,070	229,041	4,029	281,744	247,711	34,033
	1,645,290	**1,379,919**	**265,371**	**1,291,289**	**1,326,023**	**(34,734)**

SENSITIVITY OF ACTUARIAL ASSUMPTIONS ($ CANADIAN MILLIONS)

The most significant assumption in the determination of the claim benefit liabilities is the net discount rates. The net discount rates are differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. A reduction in the assumed net discount rates would increase the claim benefit liabilities and reduce the operating surplus, and vice versa.

The table below show the sensitivity of the claim benefit liabilities of an immediate 1 percent increase or decrease in these key net discount rate assumptions used to determine the liabilities:

	Current assumed net discount rate	Change in liabilities ($ millions)			
	2011	2011		2010	
+/- % change on assumed net discount rates		+1%	-1%	+1%	-1%
Health care inflation	0.5%	$(230)	$293	$(207)	$263
Wage growth	2.0%	(130)	155	(134)	160
Claim administration inflation	2.5%	(58)	58	(58)	58
General inflation rate	3.0%	(572)	678	(578)	688

MANAGEMENT OF INSURANCE RISKS AND RATE-SETTING

In accordance with the *Workers Compensation Act*, the Accident Fund is funded by charging annual assessment rates to all covered employers. These rates are applied as a percentage of assessable payroll to determine the premium amount each employer must pay.

The annual rate applicable to any given employer is determined as the sum of four main components:

- The cost of new injuries — this is calculated based on the industry in which the employer operates and the historical actuarial cost experience of that industry
- Amortization of the industry surplus or deficit — each industry group maintains its own insurance pool and is responsible for funding any deficits and receives the benefit (rate reduction) of any surpluses
- Capping of rate increases and decreases — the change in rate for any classification unit with an industry group is usually limited to a 20 percent increase or 20 percent decrease according to the normal funding practices of WorkSafeBC
- Experience rating — the actual rate paid by a given employer within an industry group is further increased or decreased, depending on the relative historical cost performance of the employer relative to other employers in that industry group

NOTE 10 — CONTINUED

Under the *Workers Compensation Act*, WorkSafeBC has the power to set assessment rates to recover any shortfalls in assessment collections or to fund any required reserves.

CONCENTRATION OF RISKS

WorkSafeBC underwrites workplace injury insurance for all employers across the entire province of British Columbia. The premium rates charged to employers are differentiated by industry, reflecting the variety of loss frequencies experienced in different industries. In addition, the rates charged for employers in the same industry are further adjusted based on the historical claims experience of each employer relative to the industry as a whole. WorkSafeBC is also potentially subject to risks resulting from litigation or legislative changes. Such changes can produce an immediate pervasive increase in the cost of the entire portfolio of insurance contracts.

LIQUIDITY OF BENEFIT LIABILITY RISKS

The following table estimates the expected amounts and timing of future benefit and associated claim administration payments for the provision of outstanding claims. The expected timing of payments from the provisions for outstanding claims involves considerable uncertainty.

Expected timing of future payments for outstanding claims	2011	2010
Up to 1 year	5%	5%
Over 1 year and up to 5 years	14%	13%
Over 5 years and up to 10 years	15%	15%
Over 10 years and up to 15 years	14%	14%
Over 15 years	52%	53%
Total	100%	100%

CLAIMS DEVELOPMENT ($ CANADIAN MILLIONS)

In the claims development table below, cumulative claim costs are shown for each Year of Injury (YOI) and Year of Estimate (YOE). Each cell contains actual costs paid from YOI to YOE, and estimated costs projected to be paid beyond the YOE.

	Year of injury										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Year of estimate											
2002	1,166										
2003	1,160	1,087									
2004	1,081	1,020	1,097								
2005	1,049	1,007	1,093	1,136							
2006	973	932	1,031	1,075	1,121						
2007	924	878	971	1,032	1,102	1,186					
2008	903	852	938	1,007	1,096	1,200	1,274				
2009	882	829	911	980	1,074	1,196	1,268	1,235			
2010	869	815	888	957	1,049	1,182	1,268	1,175	1,112		
2011	867	817	886	950	1,056	1,206	1,310	1,198	1,139	1,236	10,665
Current (2011) estimate of cumulative claim costs	867	817	886	950	1,056	1,206	1,310	1,198	1,139	1,236	10,665
Cumulative payments	(575)	(524)	(553)	(579)	(636)	(709)	(725)	(543)	(438)	(243)	(5,525)
Outstanding claims (undiscounted)	292	293	333	371	420	497	585	655	701	993	5,140
Discount											(2,547)
2001 and prior years of injury											1,722
Survivor benefits											73
Claim administration											630
Subtotal of outstanding claims — unfinalled liabilities											5,018
Pension liabilities											4,637
Total of outstanding claims per statement of financial position											9,655

NOTE 10 — CONTINUED

The claim costs for most YOI exhibit a downward trend by the YOE. This trend is primarily due to a general reduction in unit liability costs over the past decade. This results in a higher estimated cost being replaced by a lower actual cost every year as the YOE progresses, which in turn produces the downward trend shown.

LIABILITY ADEQUACY TEST

IFRS 4 (*Insurance Contracts*) requires that an insurer apply a liability adequacy test that meets specified minimum requirements, as follows:

(a) The test considers current estimates of all contractual cash flows, and of related cash flows such as claim administration costs, as well as cash flows resulting from embedded options and guarantees; and

(b) If the test shows that the liability is inadequate, the entire deficiency is recognized in operating surplus or deficit.

If these tests are met, there are no further requirements.

The Practice Council of the Canadian Institute of Actuaries has concluded that current Canadian valuation standards of practice, when applied to valuation of workers' compensation liabilities, would meet the liability adequacy testing requirements of IFRS 4. Accordingly, a separate annual liability adequacy test is not required for WorkSafeBC claim benefit liabilities.

NOTE 11 — RESERVES ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

WorkSafeBC has established a number of different reserves for both specific and general purposes. The creation of reserves was either required by legislation, as specified below, or approved by the Board of Directors. Reserves were funded through appropriations from the unappropriated balance. Transfers to and from reserves are accounted for as appropriations from or returns to the unappropriated balance.

Special reserves

The $40-million Accident Fund special reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances WorkSafeBC considers to be an unfair burden to the employers in a particular class
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations, but prorated to the various employer classes rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a $200-million Latent Occupational Disease Reserve relating to occupational diseases that may have occurred in the current year or in prior years, but will not be reported or recognized for a number of years due to the extended latency periods of such diseases.

Earthquake Disaster Reserve

A $20-million Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The $30-million Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The $30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

Injury Reduction and Return-to-Work Initiatives Reserve

In 2010, WorkSafeBC established a $50-million reserve from its unappropriated balance to provide funding for piloting and implementing initiatives in workplace injury reduction and disability and injury management. The $50-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding projects in this area.

General Reserve

In 2006, WorkSafeBC established a $250-million General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes that may impact significantly on the organization's consolidated financial statements and the assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if

NOTE 11 — CONTINUED

necessary, adjusted each year based on emerging circumstances, including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

WorkSafeBC established a Capital Adequacy Reserve in 2007 to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate against the risks in its assets and liabilities. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target Capital Adequacy Reserve level determined using a methodology derived from the federal Office of the Superintendent of Financial Institutions (OSFI) capital reserve guidelines. Although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

In 2011, $104 million was withdrawn from the Capital Adequacy Reserve.

	December 31, 2011	December 31, 2010	January 1, 2010
Capital Adequacy Reserve	1,165,000	1,269,000	869,000
Target Capital Adequacy Reserve level	2,897,000	2,891,000	2,755,000

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

RESERVES

	December 31, 2011	December 31, 2010	January 1, 2010
Special reserves			
Contingent Reserve	2,500	2,500	2,500
Disaster Reserve	16,500	16,500	16,500
Enhancement Reserve	21,000	21,000	21,000
	40,000	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000	20,000
Research Reserve	30,000	30,000	30,000
Injury Reduction and Return-to-Work Initiatives Reserve	50,000	50,000	—
General Reserve	250,000	250,000	250,000
Capital Adequacy Reserve	1,165,000	1,269,000	869,000
	1,755,000	**1,859,000**	**1,409,000**

NOTE 12 — PREMIUMS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

Premium revenue is comprised primarily of statutory employer assessments for workplace injury coverage. Rateable employer premiums are assessed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated and any differences between actual and estimated premiums are adjusted when insurable earnings are reported. Self-insured employers premiums are recognized based on the costs of their employees' claims (see Note 13).

Premium revenue is fully earned and recognized over the period that coverage is provided. As a significant portion of the premium income for the year relating to rateable employers is not received until after year-end, the amount shown is an estimate based on economic and statistical data (see Note 3). The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been significant.

NOTE 12 — CONTINUED

Reported premium revenue for the period income is net of adjustments for premiums from prior periods; bad debt write-offs, and Partners program financial incentives; it includes penalties on overdue assessments.

Partners in Injury and Disability Prevention program

The Partners in Injury and Disability Prevention program is an employer incentive program in support of the WorkSafeBC vision of workers and workplaces safe and secure from injury, illness, and disease. Through financial incentives, this program encourages employers to implement health, safety, and return-to-work management systems. WorkSafeBC recognizes the estimated payments to qualified employers expected to have satisfied the program criteria as at December 31 as a provision. These amounts are recognized as legally entitled and enforceable offsets against accrued premiums (see Note 3). The difference between the estimate and actual payments provided to employers is credited or charged to income in the following year. Historically, the difference has not been significant.

Capping of rate changes and amortization of balance

The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit determined on a smoothed basis) of each rate group at the beginning of each year (i.e., the return of surplus in each rate group through reduced rates, or reduction of deficit through increased rates).

PREMIUM INCOME

	2011	2010
Rateable classes	1,289,942	1,231,630
Partners in Injury and Disability Prevention program financial incentives	(27,830)	(21,453)
Capping of rate changes and amortization of balance		
Capping of rate changes	(45,498)	(63,212)
Amortization of balance	(118,664)	(112,116)
	(164,162)	(175,328)
Penalties on overdue assessments	5,543	5,047
Rateable employers	1,103,493	1,039,896
Self-insured employers (Note 13)	41,977	(11,664)
	1,145,470	**1,028,232**

NOTE 13 — SELF-INSURED EMPLOYERS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

Certain employers are permitted to be self-insured under the *Workers Compensation Act* of British Columbia (the Act). These employers' premiums are billed and the amounts recognized on a monthly basis equal to the benefit payments made for short-term disability, health care, vocational rehabilitation, and for the values of pension reserves for long-term disability and survivor benefits, based on the present value of monthly pension payments over the expected length of the pension. Self-insured employers are also billed for their proportionate share of WorkSafeBC administration costs and, where applicable, other costs; and earn or are charged interest on the monthly average deposit balance under Section 48 of the Act. Additionally, in those years that the investment return on the pension reserve exceeds the minimum required return, the surplus is credited to the employer and applied to reduce claim costs reimbursements. Conversely, when the investment return is less than the minimum required the deficit is charged to the employer.

NOTE 13 — CONTINUED

PREMIUM INCOME — SELF-INSURED EMPLOYERS

	2011	2010
Current premium income	41,977	14,040
Adjustment of unfinalled claims provision for employers that transferred to rateable classes	—	(25,704)
	41,977	**(11,664)**
Claim costs		
Short-term disability	6,294	4,865
Long-term disability	10,515	(2,624)
Survivor benefits	1,195	2,143
Health care	12,968	6,264
Vocational rehabilitation	2,062	1,281
Claim administration	5,004	4,986
	38,038	16,915
Share of special reserves costs	2,980	2,352
Operating costs	2,581	2,498
Other costs	2,207	—
	45,806	21,765
Less:		
Share of investment income	(3,829)	(7,725)
	41,977	**14,040**

Included in the benefit liabilities is $141 million (2010: $133 million) of provision for unfinalled claims for self-insured employers. An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's unfunded liability.

NOTE 14 — OTHER INCOME ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

Other income includes prevention penalties for workplace safety infractions, administration fees in third party actions, Freedom of Information and disclosure fees, and amounts charged for publications and rentals, along with other incidental revenues. Prevention penalties are recognized when the penalties are assessed; other revenues are recognized when the services are provided.

OTHER INCOME

	2011	2010
Prevention penalties	4,049	3,503
Third-party litigation fee recoveries	3,551	8,418
Miscellaneous income	1,425	1,151
	9,025	**13,072**

NOTE 15 — ADMINISTRATION COSTS ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

Administration costs include claim administration costs, prevention costs, appellate costs, and general and administrative support costs. These expenses are recognized when the goods and services have been received. Claim administration costs relate to the portion of administration costs incurred to adjudicate claims for compensation, manage claims, and process claim payments.

NOTE 15 — CONTINUED

ADMINISTRATION COSTS

	2011						2010
	Prevention	Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisors	Total	Total
Salaries and employee benefits	46,204	136,313	30,520	57,259	12,120	282,416	320,419
Amortization of capital assets	2,144	11,940	10,216	2,281	457	27,038	26,668
WCAT and advisors	—	—	—	—	25,319	25,319	26,238
Consulting fees	930	6,130	11,181	5,096	(5)	23,332	21,931
Office expenses and communication	1,292	5,553	11,314	1,506	422	20,087	20,105
Building expenses	85	414	9,921	1,968	24	12,412	11,807
Sessional doctor fees	1	6,616	—	3	88	6,708	5,812
Travel and vehicle expenses	3,008	2,324	321	456	28	6,137	6,431
Other administration expenses	3,075	9,632	2,161	12,312	312	27,492	26,078
Cost recoveries	(349)	(21,976)	(7,257)	(12,271)	—	(41,853)	(39,666)
	56,390	156,946	68,377	68,610	38,765	389,088	425,823
Less:							
Claim administration costs	—	128,523	39,707	34,364	26,447	229,041	247,711
	56,390	**28,423**	**28,670**	**34,246**	**12,318**	**160,047**	**178,112**

NOTE 16 — INJURY RESEARCH AND REDUCTION INITIATIVES ($ CANADIAN THOUSANDS)

ACCOUNTING POLICY

WorkSafeBC provides funding to support high quality, independent, scientific study relating to workplace health and safety, as well as research in the area of workers' compensation. Funding is also provided to entities that further the education and development of safe workplace practices. These expenses are recognized when the services or deliverable milestones have been performed.

Partners in Injury and Disability Prevention program administration

The Partners in Injury and Disability Prevention program is an employer incentive program in support of WorkSafeBC's vision of workers and workplaces safe and secure from injury, illness, and disease. Funding is provided to health and safety associations and other industry organizations to administer this program.

INJURY RESEARCH AND REDUCTION INITIATIVES

	2011	2010
Injury-reduction initiatives	19,005	9,984
Partners in Injury and Disability Prevention program administration	5,385	5,332
Research grants	2,159	1,989
	26,549	17,305

NOTE 17 — COMMITMENTS ($ CANADIAN THOUSANDS)

WorkSafeBC has several operating leases for office space. Renewal options are a feature in some of the lease agreements. As WorkSafeBC may or may not exercise its rights under these options, the renewal amounts are excluded from commitments. WorkSafeBC has also committed to fund certain research projects and injury reduction initiatives. The future commitments for payments expected to be charged against operating costs over the next five years and beyond are as follows:

	2011				2010
	Office space	Research grants and awards	Injury reduction initiatives	Total	Total
2012	3,424	1,937	7,910	13,271	5,413
2013	3,484	594	1,813	5,891	3,945
2014	1,545	685	517	2,747	807
2015	71	50	—	121	89
2016	4	—	—	4	—
2017 and beyond	—	—	—	—	—
	8,528	3,266	10,240	22,034	10,254

NOTE 18 — CONTINGENCIES

INTEREST POLICY

A certified class action was brought against WorkSafeBC challenging WorkSafeBC's interest policy, implemented in 2001, for retroactive benefit payments. Prior to 2001, WorkSafeBC paid interest on retroactive short-term and long-term disability payments. Since the 2001 implementation of the new interest policy, interest is paid only where it is demonstrated that a WorkSafeBC staff member error necessitated the retroactive payment. An appeal to the B.C. Court of Appeal was heard in March 2010; in June 2011, the court rendered its decision, dismissing the petition against WorkSafeBC. The Supreme Court of Canada has declined to hear the case. The matter has been referred back to the Workers' Compensation Appeal Tribunal for its consideration. Based on information presently available, the likely outcome is not determinable. The amount of any potential cost cannot be reasonably estimated unless policy is amended, if necessary, and will be recorded at the time of that determination.

LEGAL PROCEEDINGS

At any given time, WorkSafeBC is party to various claims and legal proceedings related to its operations. Management believes WorkSafeBC has strong defences against these claims and that no financial provisions for them are appropriate or required.

INDEMNIFICATION AGREEMENTS

In the normal course of operations, WorkSafeBC enters into contractual agreements that contain standard contract terms which provide that WorkSafeBC shall indemnify certain parties. The potential liability of WorkSafeBC under the terms will vary depending on the wording of the terms and/or the occurrence of contingent or future events, the nature of which prevents WorkSafeBC from making a reasonable estimate of the potential amount that may be payable to those contractual parties. WorkSafeBC also indemnifies its employees and members of its Investment Committee against all claims or proceedings brought against them for any actions performed which the individual believed were within the jurisdiction of WorkSafeBC and in the course of their employment, or performed with reasonable care within the terms of reference of the committee. WorkSafeBC has not made any payments or accrued any amounts in the financial statements in respect of these indemnifications.

NOTE 19 — CAPITAL MANAGEMENT ($ CANADIAN THOUSANDS)

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income, and reserves. Its objectives when managing capital are as follows:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the capital adequacy reserve will be built up or drawn down.
- To mitigate against the risks in the investment portfolio and to reduce volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and thus lower long-term employer assessment costs, but they are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium-rate volatility arising from investment in equities.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives are in line with WorkSafeBC's strategic objective to ensure the long-term financial sustainability of the workers' compensation system.

NOTE 19 — CONTINUED

WorkSafeBC maintains a capital adequacy reserve and has set a target capital adequacy reserve level (see Note 11) to achieve the capital management objectives noted above. The following table shows the total assets as a ratio of the target asset requirement level, which is based on the total liabilities, plus the target capital adequacy reserve level, plus other reserves. WorkSafeBC manages its capital on the basis of achieving 100 percent of the target asset requirement in the long term.

	December 31, 2011	December 31, 2010	January 1, 2010
Total assets	12,548,009	12,734,509	11,951,635
Target asset requirement level	13,490,641	13,371,352	13,024,175
Percent of target assets achieved	93%	95%	92%

NOTE 20 — RELATED PARTY TRANSACTIONS

B.C. PUBLIC SECTOR

WorkSafeBC is accountable to the public through the Government of British Columbia, but is separate and distinct from government. It is not part of the B.C. government reporting entity, and is not considered a related party for financial reporting purposes.

Transactions with various B.C. government-controlled ministries, agencies, and Crown corporations are at prevailing market prices and settled on normal trade terms.

KEY MANAGEMENT PERSONNEL

(The information presented in this section has not been rounded to the nearest $ thousands.)

Compensation

The following table shows the salaries and short-term benefits for WorkSafeBC's key management personnel:

	2011						2010
	Salary	Short-term benefits	Bonus	Other earnings	Pension	Total	Total
President and Chief Executive Officer	270,000	15,025	123,188	12,026	45,276	465,515	452,860
Senior Vice-President and Chief Financial Officer	220,000	14,546	77,550	11,126	34,068	357,290	436,296
Senior Vice-President, Operations	220,000	11,767	79,200	11,826	34,341	357,134	343,129
Senior Vice President, Human Resources and Corporate Services	220,000	11,467	77,550	12,126	34,184	355,327	347,341
	930,000	**52,805**	**357,488**	**47,104**	**147,869**	**1,535,266**	**1,579,626**

Short-term benefits include medical benefits, dental benefits, group life insurance, accident insurance, and the employer's share of contributions or payments to the Canada Pension Plan and Employment Insurance.

Bonuses were awarded based on the achievement of corporate goals and performance targets (see page 24), excluding the performance targets related to improved adjudicative decision making.

NOTE 20 — CONTINUED

Other earnings include payout of unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered in the employee benefit plans.

Pension costs represent the employer's share of contributions or payments to the WorkSafeBC employee pension plan.

The following table shows the total compensation for the Board of Directors of WorkSafeBC:

	2011				2010
	Number of individuals	Fees	Statutory benefits	Total	Total
Chair, Board of Directors	1	30,000	666	30,666	32,128
Board members	6	116,250	4,110	120,360	112,281
	7	**146,250**	**4,776**	**151,026**	**144,409**

Annual retainers of $15,000 and $7,500 were provided to the Chair of the Board of Directors and other Board members respectively. In addition, Board members received $500 per meeting attended, or $250 per meeting attended with duration of less than or equal to four hours. Statutory benefits consist of WorkSafeBC's share of Canada Pension Plan contributions and Employment Insurance premiums when compensation is paid to the individual.

Other transactions with key management personnel and their close family members

WorkSafeBC has a $50,000 contract with a firm in which the principal is a close family member of a member of the Board of Directors — $12,775 was paid on the contract in 2011 (2010: $9,012). The firm provides consulting services to WorkSafeBC on corporate social responsibility. The contract was awarded in accordance with WorkSafeBC's procurement policies.

PENSION PLAN

WorkSafeBC has a pension plan which is a related party by virtue of IAS 24 (*Related Party Disclosures*). Refer to Note 9 for detailed information on the transactions with the pension plan.

NOTE 21 — FIRST-TIME ADOPTION OF IFRS ($ CANADIAN THOUSANDS)

WorkSafeBC's consolidated financial statements have been prepared under IFRS for the first time for the year ending December 31, 2011, with the required restatement of comparative consolidated financial statements under IFRS. WorkSafeBC's consolidated financial statements were previously prepared under the Canadian generally accepted accounting principles (GAAP) that were in place for publicly accountable enterprises up to December 31, 2010. The previous accounting standards will be referred to as Canadian GAAP in this note.

Under IFRS, accounting changes arising from the adoption of new or amended standards must be applied retrospectively, as if the new requirements had always been applied. In preparing these consolidated financial statements, WorkSafeBC's opening consolidated statement of financial position was prepared as at January 1, 2010, the date of transition to IFRS. Certain 2010 figures have been restated where required to conform to the current year's accounting treatment. This note explains the principal adjustments made by WorkSafeBC in restating its Canadian GAAP-consolidated statement of financial position as at January 1, 2010 and its previously published Canadian GAAP-consolidated financial statements for the year-ended December 31, 2010.

IFRS 1 EXEMPTIONS AND ELECTIONS

Although first-time adoption of IFRS requires retrospective application in the preparation of an entity's opening consolidated statement of financial position, IFRS 1 (*First-time Adoption of IFRS*) provides a number of optional exemptions and elections from this general principle. Details of WorkSafeBC's transitional exemptions and elections are summarized in this section.

NOTE 21 — CONTINUED

Designation of financial assets

WorkSafeBC has designated all of its portfolio investments upon first-time adoption of IFRS as fair value through profit or loss (FVTPL) in accordance with IFRS 9 Phase 1 (*Financial Instruments: Classification and Measurement*). WorkSafeBC has elected early adoption of IFRS 9 Phase 1 to coincide with the first IFRS reporting date. As at the date of designation (January 1, 2011), the following table shows the classification, fair value, and carrying value of each type of investment holding under Canadian GAAP:

	As at January 1, 2011		
Type of investment	**Fair value**	**Carrying value**	**Previous classification**
Investments in pooled funds			
Money market funds	193,133	193,133	Available-for-sale
Bond funds	3,156,934	3,156,934	Available-for-sale
Real-return bond fund	628,529	628,529	Available-for-sale
Mortgage funds	567,188	567,188	Available-for-sale
Canadian index equity funds	1,132,104	1,132,104	Available-for-sale
Active Canadian equity funds	1,103,066	1,103,066	Available-for-sale
U.S. index equity funds	177,804	177,804	Available-for-sale
Active U.S. equity funds	744,767	744,767	Available-for-sale
International index equity funds	37,684	37,684	Available-for-sale
Active international equity funds	999,418	999,418	Available-for-sale
Global active equity fund	104,584	104,584	Available-for-sale
Emerging markets equity fund	378,961	378,961	Available-for-sale
Domestic real estate funds	1,663,136	1,663,136	Available-for-sale
	10,887,308	10,887,308	
Investments held directly			
Real-return bonds	5,387	5,387	Available-for-sale
Currency hedging contracts	12,858	12,858	Held-for-trading
	18,245	18,245	
Investments held through investment corporations			
Foreign real estate	156,119	191,742	Available-for-sale
Private placements	1,014,867	1,028,064	Available-for-sale
	1,170,986	1,219,806	
	12,076,539	**12,125,359**	

Revaluation of land

WorkSafeBC has elected to measure land at the date of transition to IFRS (January 1, 2010) at its fair value and to use that fair value as deemed cost at that date. The fair value of the land at the date of transition to IFRS was $145,873.

Post-employment employee benefit plans

WorkSafeBC has recognized its transitional asset and the cumulative actuarial losses of $106,567 in its employee benefit plans directly in accumulated other comprehensive income at the date of transition.

NOTE 21 — CONTINUED

RECONCILIATION OF CANADIAN GAAP TO IFRS

WorkSafeBC has restated its consolidated financial statements for the year of transition (2010) from the Canadian GAAP basis to IFRS. The impact of transition from Canadian GAAP to IFRS is presented in detail for the consolidated statements of financial position, changes in unappropriated balance and accumulated other comprehensive income, and comprehensive income in the tables following. The only material adjustments with respect to the consolidated statement of cash flows was the reclassification of investment transactions pending settlement from cash equivalents to liabilities (see note A1(a) below); and the purchases and sales of portfolio investments and capital assets, which were previously netted, are presented separately.

Consolidated statement of financial position

	As at December 31, 2009 — Canadian GAAP	Reclassifications	Note	Revaluations	Note	As at January 1, 2010 — IFRS
Receivables	491,698	(99,571)	A5(a)	(15,893)	A6(a)	
				855	A6(b)	377,089
Accrued benefit asset of employee pension plan	—	99,571	A5(a)	(89,145)	A5(c)	10,426
Portfolio investments	11,314,406	17,627	A1(a)	(74,910)	A1(b)	
				(2,529)	A2(b)	11,254,594
Capital assets	163,822	(163,822)	A3(a)	—		—
Property and equipment	—	64,351	A3(a)	142,113	A3(b)	
				3,591	A3(c)	210,055
Intangible assets	—	99,471	A3(a)	—		99,471
Total assets	**11,969,926**	**17,627**		**(35,918)**		**11,951,635**
Outstanding payments	—	17,522	A1(a)	—		17,522
Payables and accruals	264,396	105	A1(a)	3,727	A3(c)	
		(194,402)	A5(b)	—		
		(7,570)	A4	—		66,256
Injured workers' retirement benefit fund	—	7,570	A4	—		7,570
Employee benefit liabilities	—	194,402	A5(b)	17,422	A5(c)	
				1,900	A5(f)	213,724
Claim benefit liabilities	9,424,103	—		—		9,424,103
Total liabilities	**9,688,499**	**17,627**		**23,049**		**9,729,175**
Reserves	1,409,000	—		—		1,409,000
Unappropriated balance	693,890	178,537	A1(c)	47,600	*	920,027
Accumulated other comprehensive income (loss)	178,537	(178,537)	A1(c)	(106,567)	A5(c)	(106,567)
Total funded position	**2,281,427**	**—**		**(58,967)**		**2,222,460**
	11,969,926	**17,627**		**(35,918)**		**11,951,635**

* *See the reconciliation of the consolidated statement of changes in unappropriated balance and accumulated other comprehensive income on page 115.*

NOTE 21 — CONTINUED

Consolidated statement of financial position

	As at December 31, 2010 — Canadian GAAP	Reclassifications	Note	Revaluations	Note	As at December 31, 2010 — IFRS
Receivables	494,052	(115,982)	A5(a)	(23,287)	A6(a)	
				2,715	A6(b)	357,498
Accrued benefit asset of employee pension plan	—	115,982	A5(a)	(89,145)	A5(c)	
				(10,636)	A5(d)	
				(59,733)	A5(e)	
				43,532	A5(e)	—
Portfolio investments	11,998,240	127,119	A1(a)	(46,434)	A1(b)	
				(2,386)	A2(b)	12,076,539
Capital assets	154,873	(154,873)	A3(a)	—		—
	—	62,489	A3(a)	142,113	A3(b)	
				3,591	A3(c)	
Property and equipment				(105)	A3(c)	208,088
Intangible assets	—	92,384	A3(a)	—		92,384
Total assets	12,647,165	127,119		(39,775)		12,734,509
Outstanding payments	—	12,023	A1(a)	—		12,023
Payables and accruals	303,964	115,096	A1(a)	3,727	A3(c)	
		(221,030)	A5(b)	(133)	A3(c)	
		(10,768)	A4	—		190,856
Injured workers' retirement benefit fund	—	10,768	A4	—		10,768
Employee benefit liabilities	—	221,030	A5(b)	17,422	A5(c)	
				(493)	A5(d)	
				3,645	A5(e)	
				43,532	A5(e)	
				2,200	A5(f)	287,336
Claim benefit liabilities	9,389,369	—		—		9,389,369
Total liabilities	9,693,333	127,119		69,900		9,890,352
Reserves	1,859,000	—		—		1,859,000
Unappropriated balance	380,215	714,617	*	60,270	*	1,155,102
Accumulated other comprehensive income (loss)	714,617	(714,617)	*	(106,567)	A5(c)	
				(59,733)	A5(e)	
				(3,645)	A5(e)	(169,945)
Total funded position	2,953,832	—		(109,675)		2,844,157
	12,647,165	127,119		(39,775)		12,734,509

* *See the reconciliation of the consolidated statement of changes in unappropriated balance and accumulated other comprehensive income on page 115.*

NOTE 21 — CONTINUED

Consolidated statement of changes in unappropriated balance and accumulated other comprehensive income

	As at December 31, 2010 — Canadian GAAP	Reclassifications	Note	Revaluations	Note	As at December 31, 2010 — IFRS
Unappropriated balance — opening	693,890	178,537	A1(c)	(74,910)	A1(b)	
				142,113	A3(b)	
				(136)	A3(c)	
				(2,529)	A2(b)	
				(1,900)	A5(f)	
				(15,893)	A6(a)	
				855	A6(b)	920,027
Surplus (deficit) from operations	136,325	536,080	A1(c)	28,476	A1(b)	
				143	A2(b)	
				28	A3(c)	
				(10,143)	A5(d)	
				(300)	A5(f)	
				(7,394)	A6(a)	
				1,860	A6(b)	685,075
Appropriation to Capital Adequacy Reserve	(400,000)	—		—		(400,000)
Appropriation to Injury Reduction and Return-to-Work Initiatives Reserve	(50,000)	—		—		(50,000)
Unappropriated balance — closing	**380,215**	**714,617**		**60,270**		**1,155,102**
Accumulated other comprehensive income (loss) — opening	178,537	(178,537)	A1(c)	(106,567)	A5(c)	(106,567)
Other comprehensive income (loss)	536,080	(536,080)	A1(c)	(59,733)	A5(e)	
				(3,645)	A5(e)	(63,378)
Accumulated other comprehensive income (loss) — closing	**714,617**	**(714,617)**		**(169,945)**		**(169,945)**

NOTE 21 — CONTINUED

Consolidated statement of comprehensive income for the year ended December 31, 2010

	2010 Canadian GAAP	Restatements	Note	2010 IFRS
Premiums				
Rateable employers	1,029,988	(7,394)	A6(a)	
		17,302	A6(c)	1,039,896
Self-insured employers	4,655	(16,319)	A7	(11,664)
Levy for injury-reduction initiatives	25,576	(17,302)	A6(c)	
		(8,274)	A6(b)	—
	1,060,219	(31,987)		1,028,232
Investments				
Earned income	297,357	(323,409)	A2(a)	
		26,052	A2(c)	—
Interest income	—	10,202	A2(a)	10,202
Income distributions from pooled funds	—	294,289	A2(a)	
		71,269	A2(b)	365,558
Income distributions from investment corporations	—	26,905	A2(a)	26,905
Realized gains (losses) on investments	248,396	(186,980)	A2(b)	61,416
Unrealized gains (losses) on held-for-trading investments	7,891	(7,891)	A2(d)	—
Unrealized gains (losses) on investments	—	28,476	A1(b)	
		115,854	A2(b)	
		7,891	A2(d)	
		536,080	A1(c)	688,301
	553,644	598,738		1,152,382
Other income	—	13,072	A8	13,072
Total revenues	**1,613,863**	**579,823**		**2,193,686**
Claim costs				
Benefit payments	1,327,262	(11,238)	A7	
		9,999	A9	1,326,023
Changes in actuarial valuation of benefit liabilities	(34,734)	—		(34,734)
	1,292,528	(1,239)		1,291,289
Administration costs				
Administration costs	397,146	7,987	A2(a)	
		2,158	A2(c)	
		(28)	A3(c)	
		10,143	A5(d)	
		300	A5(f)	
		126	A6(d)	
		(5,081)	A7	
		13,072	A8	425,823
Funding for injury-reduction initiatives	25,576	(15,442)	A6(c)	
		(10,134)	A6(b)	—
Less: Claim administration costs	(237,712)	(9,999)	A9	(247,711)
	185,010	(6,898)		178,112

NOTE 21 — CONTINUED

Consolidated statement of comprehensive income for the year ended December 31, 2010 — continued

	2010 Canadian GAAP	Restatements	Note	2010 IFRS
Injury research and reduction initiatives		1,989	A2(c)	
	—	15,442	A6(c)	
		(126)	A6(d)	
	—	17,305		17,305
Investment costs	—	21,905	A2(c)	21,905
Total expenses	**1,477,538**	**31,073**		1,508,611
Surplus (deficit) for the year	**136,325**	**548,750**		**685,075**
Other comprehensive income (loss)				
Unrealized gains (losses) on available-for-sale investments	536,080	(536,080)	A1(c)	—
Actuarial gains (losses) on post-employment pension and health benefit plans	—	(59,733)	A5(e)	
		(3,645)	A5(e)	(63,378)
	536,080	**(599,458)**		**(63,378)**
Total comprehensive income	**672,405**	**(50,708)**		**621,697**

NOTE A1 — PORTFOLIO INVESTMENTS

(a) Under the previously issued Canadian GAAP consolidated financial statements, outstanding payments of $17,627 at December 31, 2009 and $127,119 at December 31, 2010 were netted against directly held portfolio investments. At December 31, 2009, these outstanding payments comprised $17,522 bank overdraft and $105 of investment transactions recorded at trade date, pending settlement at year-end; at December 31, 2010, these amounts were $12,023 and $115,096, respectively. These amounts have been reclassified in the opening IFRS consolidated statement of financial position and are presented as part of liabilities.

(b) WorkSafeBC has designated all of its portfolio investments upon first-time adoption of IFRS as FVTPL, in accordance with IFRS 9. Portfolio investments that were previously measured at cost, in accordance with Canadian GAAP, were adjusted in the opening consolidated statement of financial position to their fair values. This resulted in a decrease in the carrying values of private placement and foreign real estate investments held through investment corporations by $74,910 at January 1, 2010 and $46,434 at January 1, 2011 (gain of $28,476 during 2010) to reflect the fair value of $1,170,986.

(c) The entire balance of accumulated other comprehensive income (AOCI) as at December 31, 2009 and 2010 under Canadian GAAP consisted of cumulative unrealized net gains on available-for-sale portfolio investments. All of WorkSafeBC's portfolio investments have been reclassified as FVTPL upon adoption of IFRS. Consequently, the opening AOCI at January 1, 2010 of $178,537 has been retrospectively reclassified to unappropriated balance and unrealized gains on available-for-sale investments (or other comprehensive income) in 2010 of $536,080 has been reclassified to unrealized gains on investments. The closing AOCI at December 31, 2010 of $714,617 has been retrospectively reclassified to unappropriated balance.

NOTE A2 — INVESTMENT INCOME

(a) In accordance with IAS 1 (*Presentation of Financial Statements*), gross earned income reported under Canadian GAAP of $323,409 in 2010 has been reclassified and presented separately as interest income of $10,202, income distributions from pooled funds of $294,289, income distributions from investment corporations of $26,905, and the reversal of income allocation to the post-employment health care plans of $7,987 (now included within administration costs).

(b) Under Canadian GAAP, WorkSafeBC recognized its proportionate share of realized trading gains and losses of the underlying assets in pooled funds, including capital gains that were not distributed. Under IFRS, WorkSafeBC recognizes only the capital gains distributed from pooled

NOTE A2 — CONTINUED

funds. Accordingly, realized gains of $186,980 in 2010 have been reclassified to income distributions from pooled funds $71,269, unrealized gains $115,854, and a $143 increase in the cost of a trust held by the private placement investments. The cost amount for trusts held by the private placement and foreign real estate investments was decreased by $2,529 at January 1, 2010 relating to realized gains recorded under Canadian GAAP, resulting in a net decrease in 2010 of $2,386.

(c) Fees and research grants totalling $26,052 in 2010 were netted against investment income under Canadian GAAP — $6,910 netted against interest income and $19,142 netted against other earned income. The $26,052 consisted of investment management fees of $21,905 (external fees $20,931 and internal costs $974), which have been reclassified to investment costs; bank fees to process assessment receipts of $2,158, which have been reclassified to administration costs; and research grants of $1,989 based on investment returns of the Research Reserve, which have been reclassified to grants.

(d) With the designation of all portfolio investments as FVTPL, unrealized gains on held-for-trading investments of $7,891 have been reclassified to unrealized gains on investments.

NOTE A3 — CAPITAL ASSETS

(a) Capital assets totalling $163,822 at December 31, 2009 and $154,873 at December 31, 2010, consisting of property and equipment — $64,351 at December 31, 2009 and $62,489 at December 31, 2010 — and intangible assets — $99,471 at December 31, 2009 and $92,384 at December 31, 2010 — were required, under IAS 1, to be disclosed separately on the consolidated statement of financial position.

(b) Under IFRS 1, an entity may elect to revalue its property, plant, and equipment to fair value and use that fair value as the deemed cost at the date of transition. WorkSafeBC has applied this election for land. The appraised fair value of land at the date of transition was $145,873 and the adjustment to the deemed cost of land was $142,113.

(c) Under Canadian GAAP, leases for personal computers and printers were classified as operating leases. Under IFRS, those leases are classified as finance leases, and the related assets recognized in the consolidated statement of financial position. This change increased the carrying value of equipment by $3,591 and lease obligations payable by $3,727, and reduced unappropriated balance by $136 as at January 1, 2010. During 2010, under IFRS, finance charges of $310 and additional depreciation expense of $2,385 were recognized in operating surplus or deficit; and lease costs of $2,551 and $172 for personal computers and printers, respectively, were reversed (net decrease to administration costs of $28). Finance lease obligations were reduced $133 during 2010 (new finance leases $2,280, less discharged leased obligations $2,413). Leased assets were reduced $105 during 2010 (new leased assets $2,280, less depreciation $2,385).

NOTE A4 — INJURED WORKERS' RETIREMENT BENEFIT FUND

In accordance with IAS 1, the injured workers' retirement benefit fund balance, of $7,570 at December 31, 2009 and $10,768 at December 31, 2010, has been reclassified and presented separately from payables and accruals due to the difference in nature.

NOTE A5 — EMPLOYEE BENEFITS

(a) In accordance with IAS 1, the accrued benefit asset of the employee pension plan, valued at $99,571 at December 31, 2009 and $115,982 at December 31, 2010, has been presented as a separate item from receivables due to the difference in nature of this asset from other receivables. The opening balances of the January 1, 2010 assets and liabilities were adjusted by the actuary with a net impact equal to zero.

(b) Employee benefit liabilities, including the post-employment health care benefits liability, of $194,402 at December 31, 2009 and $221,030 at December 31, 2010, has also been reclassified and presented separately from payables and accruals due to the difference in nature.

(c) WorkSafeBC elected under IAS 19 (Employee Benefits) to immediately recognize all actuarial gains and losses in other comprehensive income. Therefore, the transitional asset and the cumulative actuarial losses of $106,567 ($89,145 in the pension plan and $17,422 in the post-employment health care plans) have been charged to accumulated other comprehensive income at the date of transition.

(d) Under Canadian GAAP, WorkSafeBC applied the corridor approach to recognize actuarial gains and losses. During 2010, amortization of the net transitional asset and actuarial losses, using the corridor approach, was $10,143 ($10,636 relating to the pension plan and minus $493 relating to the post-employment health care plans). Upon transition to IFRS, as described in Note A5(c), the cumulative actuarial losses and transitional asset were recognized, and as a result, the amortization of actuarial losses and transitional asset was reversed.

NOTE A5 — CONTINUED

(e) During 2010, actuarial remeasurements were $59,733 for the pension plan ($72,703 of losses relating to the pension liability, combined with experience gains of $12,970 on the pension plan assets). After applying this adjustment and the adjustments in Notes A5(c) and A5(d), the net balance for the accrued benefit asset of the employee pension plan was negative $43,532, which was reclassified for presentation purposes to employee benefit liabilities. During 2010, actuarial losses for the post-employment health care plans were $3,645.

(f) WorkSafeBC's employee sick leave policy permits employees to accumulate sick leave over time. As a result, WorkSafeBC was required under IAS 19 to recognize the accumulated sick leave liability of $1,900 at January 1, 2010, an employee benefit expense of $300 in 2010, and liability of $2,200 at December 31, 2010.

NOTE A6 — PREMIUMS

(a) WorkSafeBC provides assessment incentives to employers that complete the Partners in Injury and Disability Prevention program. These incentive payments were previously recognized in the year payment was made. At January 1, 2010, assessments receivable was reduced by $15,893, comprising $14,058 payments in 2010 and $1,835 accrual, both for the 2009 incentive year. At December 31, 2010, assessments receivable was reduced by $23,287, comprising $21,452 accrual for the 2010 incentive year and $1,835 accrual for the 2009 incentive year. The premium income adjustment in 2010 relating to the assessment incentives was $7,394.

(b) Funds collected from employers to fund employer associations do not meet the test of revenues under IAS 18 (Revenue). The funds were collected via direct special levies on premiums and distributed by WorkSafeBC to these health and safety associations. The $8,274 collected in 2010 has been reclassified to reduce premium income. Funds distributed to health and safety associations in 2010, previously recognized as administration costs, totalled $10,134, resulting in a net surplus adjustment of $1,860. The cumulative balance reclassified to accounts receivable was $855 at January 1, 2010 and $2,715 at December 31, 2010.

(c) For presentation purposes, $17,302 in 2010 has been reclassified from levy for injury-reduction initiatives to rateable employer premiums. The $17,302 consists of: costs of other injury-reduction initiatives of $15,442 in 2010, reported under Canadian GAAP as administration costs and receivables from employers of $1,860 for funds distributed to health and safety associations in 2010.

(d) Recoveries in excess of related expenditures totalling $126 in 2010 for other injury reduction initiatives have been reclassified from administration costs to injury reduction initiatives.

NOTE A7 — SELF-INSURED EMPLOYERS

Government of Canada employees who fall within the definition of employees under the federal *Government Employees Compensation Act* are not considered to be an insurance risk of WorkSafeBC under IFRS 4 (*Insurance Contracts*), as WorkSafeBC only provides adjudication and administration services for these employees on behalf of the federal government. The following 2010 transactions with regard to claims of federal government employees were adjusted: self-insured premiums $16,319 consisting claim costs $11,238 and administration costs $5,081.

NOTE A8 — OTHER INCOME

Other income includes the reclassification from administration costs of third-party litigation fee recoveries, prevention penalties, freedom of information and disclosure fees, and amounts charged for publications and rentals, along with other incidental revenues. These revenues totalling $13,072 in 2010 were netted against administration costs under Canadian GAAP.

NOTE A9 — CLAIMS ADMINISTRATION COSTS

IFRS changes which affected administration expenses necessitated an increase in the allocation of administration costs to claims administration costs of $9,999.

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with WorkSafeBC's financial statements.

The liabilities under Pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2012. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2010. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the consumer price index (CPI) by 3.0 percent per year, over the long term, and that indexing will be provided at CPI minus 1.0 percent.

The Provision for unfinalled claims represents the liabilities for future claims costs in respect of injuries that occurred during 2011 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities.

The methods used in calculating the liabilities were substantially the same as those employed in the previous valuation as at December 31, 2010.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2011, for the future benefit and claims administration expenditures of WorkSafeBC in respect of injuries to December 31, 2011.

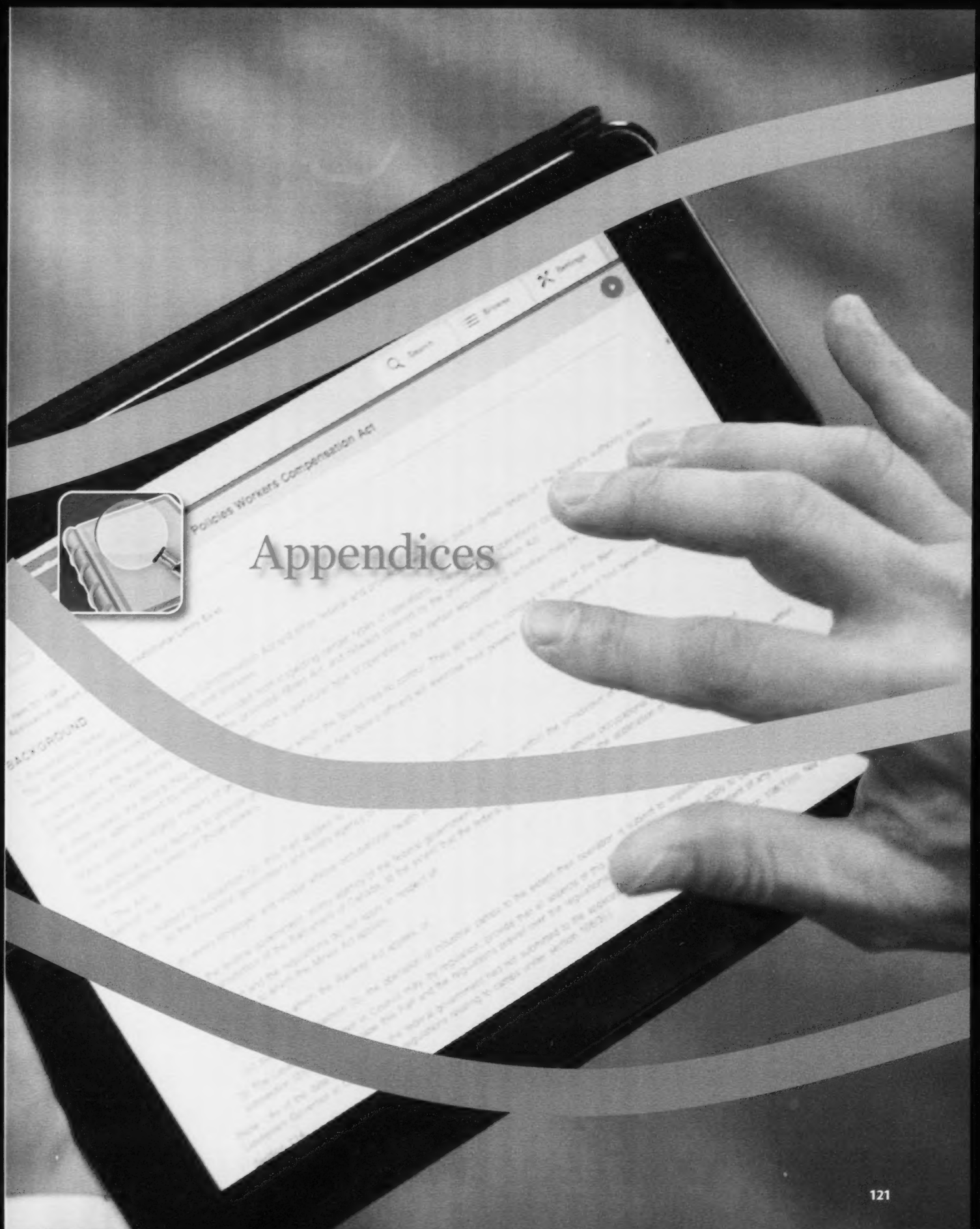
($ THOUSANDS)	Pension awards, capitalized values	Provision for unfinalled claims	Total
Benefit liabilities			
Short-term disability	—	304,200	304,200
Long-term disability	3,842,585	1,824,522	5,667,107
Survivor benefits	793,791	73,068	866,859
Health care	—	1,959,085	1,959,085
Vocational rehabilitation	—	227,247	227,247
Claim administration	—	630,242	630,242
	4,636,376	**5,018,364**	**9,654,740**

Richard A. Border, FIA, FCIA

Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

March 20, 2012



Appendices

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee strive for the best possible balance between the funding and support of WorkSafeBC's strategic goals. However, WorkSafeBC's goals are broad and the organization shares the responsibility for promoting these goals among its various departments and divisions. Consequently, it is difficult to identify the costs of fostering specific goals and objectives.

WorkSafeBC is an integrated and interdependent organization. Most of its programs and initiatives target more than one of the organization's strategic goals. As such, it might be misleading to allocate budget dollars based on specific organizational goals or functions.

WorkSafeBC's prevention initiatives illustrate the inherent difficulty in isolating the cost of specific goals. A new prevention program, for instance, may contribute to the goal of improving occupational health and safety in the workplace. But the program would also support the goal of maintaining financial sustainability and stability while influencing other goals.

Further, the same initiative would likely involve significant contributions from more than one division. WorkSafeBC's annual expenditures can be broken down based on its general business activities, closely associated with groups of strategic goals (as outlined in the table on the next page). But such a system of classification is not exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective.

The relationship between costs and performance outcomes

The areas of expenditure on the next page are linked with groups of strategic goals. However, changes in costs do not necessarily imply subsequent changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve; but in the short term costs may rise while outcomes are falling.

In terms of claim administration, an excessive reduction in administrative expenditures might increase claim duration and delay return-to-work outcomes, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context*
Prevention — $83 million or 4.5% of total costs in 2011	**Goal #1:** Foster the improvement of occupational health and safety in workplaces **Goal #4:** Maintain financial sustainability and stability	Based on 2.3 million workers (both full-time and part-time) and an average of 1,700 hours of paid work in a year, prevention expenditures accounted for $0.02 per paid hour worked in B.C. in 2011 ($0.02 in 2010)
Claim costs — $1,416 million or 76.3% of total costs in 2011	Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate	Claim costs accounted for approximately $0.37 per paid hour worked in B.C. in 2011 ($0.27 in 2010)
Customer services and infrastructure — $225 million or 12.1% of total costs in 2011	**Goal #2:** Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy **Goal #3:** Improve cost-effectiveness and accountability of the services we deliver **Goal #4:** Maintain financial sustainability and stability	Customer service costs represented about $0.06 per paid hour worked in B.C. in 2011 ($0.06 in 2010)
Corporate services (financial management, policy development, governance, corporate services, etc.) — $92 million or 5.0% of total costs in 2011	**Goal #2:** Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy **Goal #3:** Improve cost-effectiveness and accountability of the services we deliver **Goal #4:** Maintain financial sustainability and stability	Corporate service costs represented about $0.02 per paid hour worked in B.C. in 2011 ($0.03 in 2010)
Review Division, external appeals, and workers' and employers' adviser services — $39 million or 2.1% of total costs in 2011	**Goal #2:** Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy **Goal #3:** Improve cost-effectiveness and accountability of the services we deliver	External service costs represented about $0.01 per paid hour worked in B.C. in 2011 ($0.01 in 2010) Workers and employers benefit from the advisory services provided by the Ministry of Labour and the appeal services offered by the Workers' Compensation Appeal Tribunal (WorkSafeBC funds both services). Workers and employers benefit from these agencies either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and advisor systems were about $104 per claim file handled by the workers' compensation system in 2011 ($109 in 2010). Costs associated with the internal review process were about $51 per claim file handled in 2011 ($49 in 2010).

* 2010 comparative figures have been restated from the figures published in the 2010 annual report to reflect accounting changes based on International Financial Reporting Standards (IFRS).

Appendix B: Comparing results with other jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it's difficult to make direct comparisons between WorkSafeBC's performance and that of other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled (unaudited) using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key objective/performance indicators used by WorkSafeBC; however, in some cases WorkSafeBC's performance can be approximately compared to that of other workers' compensation organizations. With the exception of key objective/performance indicator #9 (which uses 2011 numbers) all comparisons are made using 2010 data — the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate

2011 target: 2.6 or less claims first accepted per 100 person-years of employment

2011 result: 2.34 claims first accepted per 100 person-years of employment (see page 25)

2012–2014 targets: 2.6 or less, 2.6 or less, 2.6 or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces, because injury rates are influenced by the industries present in each jurisdiction.

The following chart reflects the relative injury frequency for all provinces, as published in January 2011 (based on 2010 source data).

Source: AWCBC Key Statistical Measures 2010

Key objective #2a: Reduce the average short-term claim duration

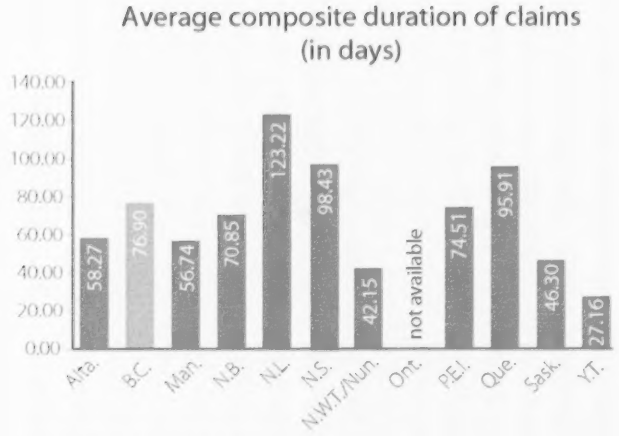
2011 target: 55 days or less

2011 result: 60.4 days (see page 28)

2012–2014 targets: 59 days or less, n/a, n/a

Related comparison: The AWCBC publishes an annual, provincial/territorial comparison of claim duration using a standardized calculation. The AWCBC's measurement of claim duration differs from the measurement used by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation, while WorkSafeBC's indicator does not. As well, the AWCBC measure expresses claim duration using the number of calendar days, whereas WorkSafeBC's measure expresses duration using work days.

In addition, the AWCBC measure is not directly comparable between jurisdictions, because each province and territory experiences claims of a shorter or longer duration based on that area's particular mix of industries and economic factors. The following chart reflects the average composite claim duration in calendar days for Canadian provinces and territories, as published in January 2012 (based on 2010 source data).



Source: AWCBC Key Statistical Measures 2010

Key objective #2b: Improve return-to-work outcome

2011 result: 80.7% (see page 29)

2012–2014 targets: 82 percent, 83 percent, 84 percent

Related comparison: The AWCBC publishes an annual, provincial/territorial comparison of claim duration using a standardized calculation to measure how soon injured workers leave the wage-loss compensation system permanently. While not fully equivalent with the WorkSafeBC KPI #2b measurement of return to work outcomes, the AWCBC measurement of the percentage of new lost-time claims that have received their last day of wage-loss benefits 120 days after the injury provides a comparable measure. The following table provides the most current data available.

Source: AWCBC Key Statistical Measures 2010

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4: Improve timeliness of initial short-term disability payments

2011 target: 24 days

2011 result: 21.8 days (see page 32)

2012–2014 targets: 22 days, 22 days, 22 days

Related comparison: The AWCBC publishes an annual province-by-province comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart below reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in January 2012 (based on 2010 source data).

Source: AWCBC Key Statistical Measures 2010

Key objective #5: Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6: Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7: Raise public confidence

2011 target: 85 percent

2011 result: 91 percent (see page 37)

2012–2014 targets: 85 percent, 86 percent, 86 percent

Related comparison: To track public confidence, WorkSafeBC hires a third party to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence results.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar indicator to determine its reputation with the communities it serves. Several provincial public and private organizations have conducted surveys similar to the one carried out on behalf of WorkSafeBC; however, these results are no longer available to the public. Nonetheless, similar survey results are in a range from a high of 95 percent to a low of 55 percent among participating groups.

Key objective #8: Achieve 100 percent of the target asset level

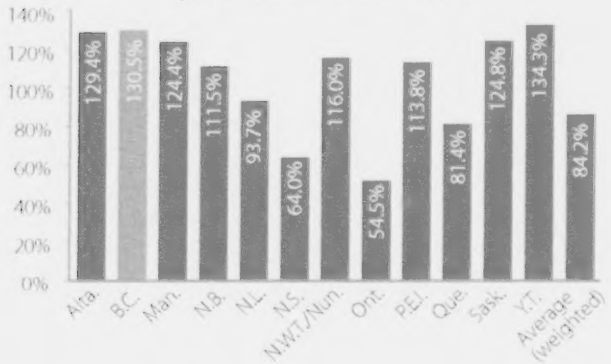
2011 target: 94 percent

2011 result: 93 percent (see page 39)

2012–2014 targets: 89 percent, 89 percent, 89 percent

Related comparison: For the purposes of comparison with other provinces and territories in Canada, the only other metric of funding adequacy that's available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial and territorial workers' compensation system, published in January 2012, stated in terms of its market value and based on year-end 2010 data.

Total assets over total liabilities
(provinces and territories)

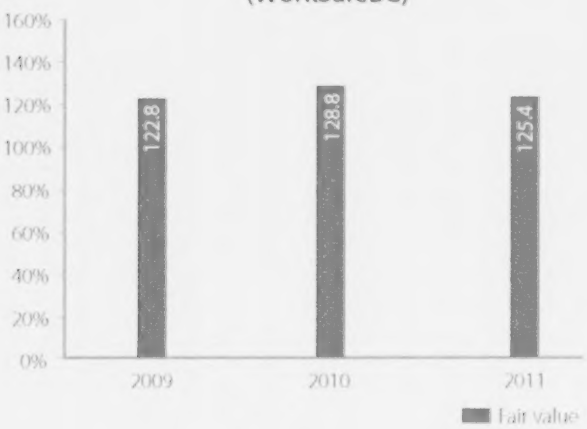


Note: the figures above are not based on International Financial Reporting Standards.

Source: AWCBC Key Statistical Measures (2010)

WorkSafeBC's funding level, with 2009 and 2010 restated to reflect accounting polices based on International Financial Reporting Standards (IFRS), is also shown for comparative purposes. In comparing the two measures of funding sufficiency — achieve 100 percent of the target asset level versus assets over liabilities — 93 percent achievement against the target asset level equates to 125 percent asset coverage over liabilities, because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves. (See Note 11 of the consolidated financial statements, page 104.)

Total assets over liabilities
(WorkSafeBC)



Key objective #9: Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll

2011 target: $1.45

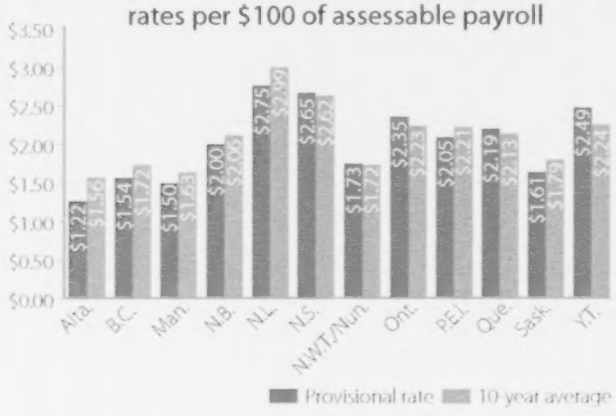
2011 result: $1.51 (see page 41)

2012–2014 targets: $1.51, $1.56, $1.62

Related comparison: Each jurisdiction in Canada establishes its own assessment rates. The average assessment rate reflects the weighted average premium for assessable employers within the scope of coverage for each province. The rates charged by other provinces reflect the unique mix of industries, injury rates, benefits, prevention activities, and funding needs, and are not directly comparable to B.C. AWCBC data are calculated in a standard way and provide a general indicator of the range of employer costs for workers' compensation coverage.

The following chart shows the average assessment rates for 2011, which is different from the aggregate rate used in key objective/performance indicator #9. The average assessment rate is a base rate and the aggregate rate reflects adjustments for changes in industry mix and experience rating during the year.

Provisional and 10-year average assessment rates per $100 of assessable payroll



Source: AWCBC Statistics
www.awcbc.org/en/publications/statistics.asp (table: Industry pdf)

This chart illustrates that, in comparison with those in other provinces and territories, B.C. rates are competitive and have been stable.

Key objective #10: Control administration costs (per $100 of assessable payroll)

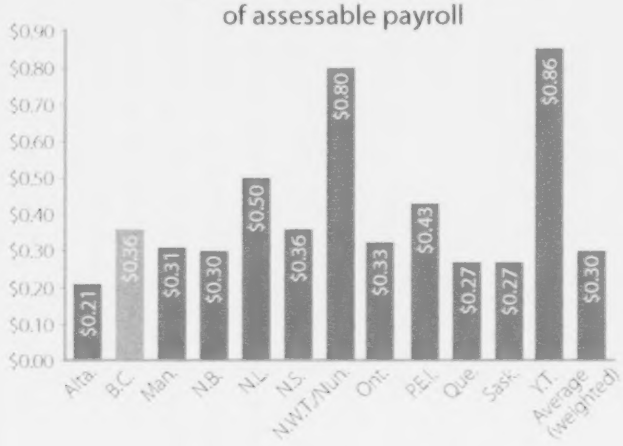
2011 target: $0.36

2011 result: $0.34 (see page 43)

2012–2014 targets: $0.36, $0.36, $0.35

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial jurisdiction as published in January 2012 (based on year-end 2010 data).

Administration costs per $100 of assessable payroll



Source: AWCBC Key Statistical Measures 2010
http://www.awcbc.org/en/publications/statistics.asp (table: Industry pdf)

Key objective #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available

Appendix C: Operating environment

WorkSafeBC operates in a complex and changing environment. Both local events and global trends including the rise and fall of equity markets, the cyclical economy, and labour market expansion and contraction influence operations.

In addition, with the passing of time, workers and workers compensation insurers are exposed to an increasing number of identified risks. In response, WorkSafeBC must remain vigilant in defining these risks and designing strategies to mitigate them.

WorkSafeBC's Board of Directors and Senior Executive Committee are committed to risk management practices that provide continual environmental scanning and rigorous business continuity planning. The Senior Executive Committee annually assesses the risks facing the organization and prioritizes the residual risk (after mitigation measures are taken into account) in terms of the likelihood of the risk occurring, and the magnitude of the impact. Key financial risks are discussed in the Management Discussion and Analysis, pages 64-66.

The following section highlights some of the major risk factors WorkSafeBC faced in 2011, and the uncertainties the organization will face over the next three years.

External factors

The economy and labour force

B.C. budget 2012 reported B.C.'s gross domestic product (GDP) growth was 2.0 percent for 2011. This is lower than the 3.1 percent that had been projected in the 2010 Provincial Budget. The provincial government estimates the B.C. economy will grow by 1.8 percent in 2012, 2.2 percent in 2013 and at an average rate of 2.5 percent in 2014–2015.

Economic growth is a major driver of labour force growth. In British Columbia, the annual measure of the employed labour force grew annually from 2001 through 2008 before declining in 2009. The slow growth in 2010 and 2011 has restored average employment to above previous levels.

Young workers continue to experience high levels of unemployment in the B.C. economy, with the unemployment rate for males 15 to 24 averaging above 16 percent (yearly average) while females in that age group experienced above 12 percent unemployment rate. Because older workers tend to have fewer injuries but longer duration of recovery than younger workers, these external trends influence the magnitude and direction of injury rates and compensation. In 2011, young worker representation in the employed labour force was at its lowest level in a decade.

Changes in the mix of industry, age, and gender significantly influences injury rates. If injury rates in sectors with higher-than-average injury rates remain constant, greater employment in those industries could translate into more injuries, and therefore greater human and financial costs. While the increased income from premiums offsets the financial costs for the compensation system, nothing can make up for the human toll of injuries to workers and their families.

The latest recession and slow recovery have affected different sectors of the economy to varying degrees. Roughly 80 percent of employment is based in service producing industries. These industries tend to have lower injury rates than the industries producing "goods". In 2011, the accommodation, food, and beverage sector rebounded by more than 11 percent while transportation and warehousing employment increased by 5 percent. The sluggish retail sector was epitomized by a decline of more than 4 percent. Other sectors had small increases or decreases resulting in just less than 1 percent employment growth in service producing industries. The goods producing sector is dominated by construction which accounted for an average of more than 200,000 jobs in B.C. in 2011, an increase of more than 6 percent over the previous year. This growth offset losses in agriculture, utilities, and other primary industries. Employment in the manufacturing sector continued flat at about 160,000 jobs, down from a pre-recession high of nearly 200,000 in 2007.

The relatively slow growth expected in the B.C. economy may also result in lower levels of employee training, equipment maintenance, and investments in safety or safer technology. These factors could increase risk of injury to workers.

When there are jobs available most workers return to work as soon as they are able, usually well ahead of full recovery from their injuries. When demand for labour is high, employers are more willing to accommodate returning injured workers and time off work declines. When demand for labour is low (or activity with the accident employer is depressed because of economic conditions), time off work may increase. In 2011, seasonally adjusted unemployment rates peaked at nearly 9 percent in February before falling to between 6.5 and 7 percent

by year end. Higher than normal unemployment rates could put upward pressure on the average time off work as a result of a work-related injury.

Despite a declining unemployment rate and large numbers of unemployed workers in B.C., businesses in some sectors still experienced a shortage of workers in some sectors. When the domestic supply fails to meet the demand for labour or specialized skills, immigration increases, and employers are more likely to hire temporary foreign workers.

In 2011, the number of temporary foreign workers in B.C. continued at relatively high levels. The most recent data shows the number of foreign temporary workers in B.C. on December 1, 2010, totaled more than 67,700. In addition, there are many others who enter the province, work here and then leave before December 1, including seasonal agricultural workers from Mexico (more than 3,300 in 2011) and the Caribbean (Statistics are unavailable for other foreign workers, such as foreign students, refugee claimants with permission to work in Canada, and undocumented workers). All these workers are entitled to the same protections and benefits as citizens and permanent residents, and may be vulnerable to work-related injury, illness, and disease because of language, culture, and situational circumstances.

The B.C. economy is expected to grow between 1.8 and 2.5 percent per year from 2012 to 2015. This economic growth and the retirement of baby-boomers is projected to create 1 million job openings between 2010 and 2020. This demand will undoubtedly lead to more new workers in new jobs — a situation that increases the likelihood of injury. Consequently, demands for WorkSafeBC's prevention services are likely to increase.

Market volatility

Most workers' compensation claims are for short-duration wage loss. However, each year, a small portion of claims come from workers who will require financial assistance and medical care for a longer period of time — sometimes for the rest of their lives. These claims create a long-term funding liability for workers' compensation systems.

To provide lifelong care for workers and fund their claims beyond the year of their injuries, WorkSafeBC invests a portion of its employer premiums. Accordingly, it must manage the value of these assets to match the liability of all active claims. When the market is volatile, the value of the funds invested by the workers' compensation system can be impacted, creating a gap between assets and liabilities. In the short term, fluctuations in market values create imbalances that can be managed without jeopardizing the system's sustainability. Prolonged periods of loss, however, can affect the system's capacity to generate the returns needed to meet long-term financial commitments. See Management Discussion and Analysis (page 54) for a summary of WorkSafeBC's investment strategy and performance in 2011.

In 2011, market volatility remained high. Much of the volatility is attributed to the crisis in the Euro zone and doubts as to whether the economic recovery in the U.S. was sustainable. The Canadian and B.C. economies are anticipated to continue on a sustained, albeit slow, growth path in 2012. For the purpose of the 2012–2014 projections, WorkSafeBC's investment assumptions made late in 2011 reflect conservative estimates of gains over that term.

WorkSafeBC's Board of Directors and Senior Executive Committee closely monitor economic conditions and the overall health of the workers' compensation system, allowing WorkSafeBC to respond to changing financial circumstances. The organization will continue implementing the investment policy[1] adopted in 2009 and modified in 2011, with a reduced allocation to publicly traded equities. In volatile markets this change lowers the potential risk of WorkSafeBC's investment portfolio. To lessen the potentially negative effects of short-term volatility on compensation entitlements or critical prevention programs, WorkSafeBC bases its decision making on its long-term goals for stability and sustainability.

Injury rate and severity

Slightly more than one-third of time-loss injuries result in a serious injury, a proportion that has remained relatively constant year over year. Generally, the more severe an occupational injury, the more time a worker spends away from his or her place of employment. Long absences can affect the permanent disability rate. To limit the onset of long-term disabilities, WorkSafeBC will continue focusing on the early and safe return of workers to their jobs through its case management and vocational rehabilitation programs.

In 2011, the serious injury rate (introduced in the *2008 Annual Report and 2009–2011 Service Plan*) has remained relatively stable at 0.84 per 100 person years of employment.

Occupational and environmental disease

In recent years, the organization has witnessed a significant increase in fatality claims from workers exposed to disease-causing agents, particularly asbestos. This growing trend can be partly attributed to increased public awareness, improved detection, and increased reporting of occupational disease.

Accordingly, it bears noting here that the incidence of newly emerging and expanding occupational diseases could significantly affect the cost and volume of claims, while also adding to WorkSafeBC's adjudicative and administrative challenges.

An increasing number of workers have become debilitated through previous exposure to asbestos, with research suggesting the incidence of disease associated with work-related asbestos exposure is under-reported or attributed to causes other than work. Research also points to a work-related source for many other cancers. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration. For mesothelioma (a particularly aggressive form of asbestos-related cancer), more than 97 percent of cases reported to WorkSafeBC between 2007 and 2010 resulted in accepted claims.

Both research literature and other workers' compensation jurisdictions have raised concerns about other occupational respiratory diseases, such as occupationally induced or aggravated asthma, multiple chemical sensitivities, and infectious diseases, including tuberculosis. Also, new substances being used in workplaces, such as nanoscale particles, may adversely affect workers' health in the long term.

Research continues adding to the list of occupational exposures which cause adverse health effects, including cancer. The emergence or recognition of an occupational disease has important implications for both WorkSafeBC's insurance and prevention mandates. It requires that the organization develop prevention strategies to protect workers and educate employers; consider imposing standards or practices within the industry in question; and collect and allocate funds to compensate diseased workers and their families. In anticipation of the future identification of causative links between work exposures and certain diseases, WorkSafeBC maintains a latent occupational disease reserve.

Internal factors

Alignment and staffing

WorkSafeBC operates a number of divisions that provide front-line service to workers, employers, and health care providers. And, when needed, the organization adjusts staffing levels and reassigns employees to meet operational requirements.

In 2011, WorkSafeBC decreased its staff by seven FTEs (full-time equivalents) over its 2010 levels[36]. Of the 3,160 employees (2,780 FTEs) who worked for WorkSafeBC, 2,996 (2,686 FTEs) worked full-time, 129 (76 FTEs) worked part-time, and 35 (18 FTEs) were involved in job-sharing arrangements.

Several initiatives in 2011 resulted in changed staffing levels, staff reassignment, or aligning existing staff with new or expanding services. The Disability Awards pilot project, where Disability Awards staff were reassigned in other operational areas, introduced a new service delivery model that is expected to result in significantly earlier pension awards and enhance the customer experience for injured workers. In addition, a new healthcare provider portal was launched to provide better communication, data, and service to our community health care provider partners with 24/7 access to referrals, reporting, and invoicing functions. Through this initiative, wait times are reduced for injured workers to access health care, and staff are freed from manual processes and, in turn, being reassigned to other tasks. In 2011, service hours for Teleclaim were also extended to better meet the needs of injured workers. Existing Teleclaim staff were realigned to cover the new hours, and Teleclaim is now open Monday to Friday, 8:00 a.m. to 6:00 p.m.

Education and development of staff

To ensure the highest quality of services for workers and employers, WorkSafeBC's assessment, claims, and prevention staff are provided with initial and ongoing education on workers compensation law, regulations, policies, procedures, and associated systems. In 2011, through WorkSafeBC's Learning and Development Services department, customer-facing staff received in excess of 9,261 person-days of technical and non-technical training.

In 2011, more than 189 existing and aspiring leaders participated in WorkSafeBCs leadership development program coordinated by Corporate Education Services, with 46 completing the program in 2011. In addition, WorkSafeBC provides training support to officers and technical specialists, such as accountants,

lawyers, and engineers, to assist them in achieving and maintaining their professional designations, to the benefit of WorkSafeBC and our stakeholders.

Because the Workers' Compensation Appeals Tribunal and the offices of the Workers and Employers Advisers work with the same law, policy, and systems, WorkSafeBC, has joined with these organizations to form an inter-organizational training committee. The committee meets on a regular basis, and designs and delivers joint training sessions to enhance common understanding of system objectives and sound decision-making principles, while maintaining the independence and integrity of each organization's authority and duties under the legislation.

Special Care Services

WorkSafeBC has long been concerned about the most seriously injured workers. The Special Care Services (SCS) department was recently established as a centralized unit responsible for the case management of all new, and most existing, claims for severely injured workers. Team members ensure that quality care, support, and decision making is provided in a consistent, timely, and cost-effective manner throughout the province.

For the purposes of Special Care Services, a severely injured worker is defined as a worker who has (or is expected to have) a severe work-related permanent impairment that significantly restricts mobility or function as a result of a catastrophic injury. Examples include spinal cord injury, severe brain injury, and multiple amputations. Workers and their families are provided with specialized services customized to their particular needs.

In 2011, SCS introduced a number of strategic initiatives to better support its clients. For clients living with a spinal cord injury, wound care and skin integrity is a significant issue. SCS has introduced a wound care initiative that will provide prevention, assessment, and treatment support for the 300 WorkSafeBC clients with spinal cord injuries throughout the province. For those who were assessed in 2011, we believe significant benefits have been realized, including expedited surgery, better wound management, and a return to an independent and healthier life.

A TeleHealth pilot was introduced in 2011 with the goals of improving health outcomes, reducing travel, and providing greater access to a range of clinical specialists. TeleHealth gives clients living in rural or remote areas of British Columbia, or those facing social isolation as a consequence of their injury or disability, the ability to use video conferencing and home health monitoring to communicate with WorkSafeBC and clinical providers.

SCS aslo initiated a new mental health clinic to better support injured workers experiencing an emotional crisis. Psychologists, social workers, and crisis response specialists work together in a collaborative model with community therapists to provide effective, evidence based treatment and support to workers and their families when they need it most.

Claims Management Solutions (CMS)

WorkSafeBC's services to workers and employers are supported by advanced technology. The Claims Management Solutions (CMS) system is the main operating platform. This highly integrated electronic platform was introduced in 2009 and replaced several older systems. CMS was designed to make possible entirely new ways of managing the information and processes. Unlike previous systems, CMS is designed to adapt to laws, policies, and practices — a feature that allows WorkSafeBC to meet changing demands and adapt to new trends common to workers' compensation systems.

CMS is not a static system. The system continues to be fine tuned with major releases and minor adjustments, to improve workability and to better meet operational priorities and service demands.

CMS provides greater accuracy and improved claims handling by automating routine work, allowing WorkSafeBC's adjudicative staff more time to provide direct services and attention to more complex claims-management tasks. Through CMS, 98 percent of claims are registered automatically, more than 40 percent of non-health-care-only claims are decided through system-based eligibility, and approximately 83 percent of the 285,000 health care invoice transactions received monthly are now processed and paid automatically. WorkSafeBC believes the consistency, accuracy, and speed of the system will provide our staff with the tools they need to provide the best possible service to workers and employers.

Information technology and systems

WorkSafeBC relies on information technology to successfully fulfill its mandate. Accordingly, the security of personal records, the reliability of data, and the robustness of high-tech systems are essential to all WorkSafeBC operations. A security system failure or breakdown in technology poses a significant risk to WorkSafeBC and its stakeholders. To mitigate this risk, the organization has developed and maintains security measures

to protect data and systems. WorkSafeBC also maintains and regularly tests a technology recovery plan that, if necessary, would allow important systems to be restored and operated in order to maintain continuity of essential services to workers and employers.

WorkSafeBC continues to invest in technology that will support more efficient claims management and contribute to more timely research. Such research initiatives will, in turn, help the organization detect trends while improving the focus and effectiveness of its prevention activities.

Risk management, business continuity, and succession planning

WorkSafeBC's strategic framework requires annual reviews to assess the risks facing the organization, including risks to staff, facilities, and information required by the organization to provide ongoing services to B.C's workers and employers.

In 2011, WorkSafeBC continued testing its emergency response and business continuity plans. Tests included a full "table top" exercise that involved the emergency response team communications staff, and senior executive in a simulated disaster at one of WorkSafeBC's facilities. The exercise was monitored by external observers. Their report will assist in the further design and refinement of our plans to protect our staff and continue our service to workers and employers in the aftermath of a disruptive or catastrophic event.

The health, safety, and security of WorkSafeBC's staff are both a legal requirement and a solemn commitment. In 2011, a complete review of WorkSafeBC's security provisions formed the basis for improvements to offices and procedures to better protect staff.

Other WorkSafeBC contingency planning initiatives include the documentation of systems, backup training, and succession planning, consisting of an analysis of retirement patterns and the identification of jobs that are vulnerable because they rely on the specialized knowledge or skill of one individual. In 2010, a complete review of critical positions was completed to ensure viable succession both in the case of an unexpected event, and due to anticipated retirement. WorkSafeBC is also reviewing its recruitment retention, and post-retirement rehiring practices to address acute skill shortages for vacation coverage and other transitional contingencies.

Privacy and fraud safeguards

Fraud and abuse are risks faced by every organization, particularly those with an insurance function. WorkSafeBC's diligent and ongoing efforts in advancing its fraud prevention strategy sends clear signals to the public and internal/external stakeholders about the organization's attitude toward fraud risks and organizational risk tolerance.

As guardians of sensitive information, WorkSafeBC officers also hold an important position of trust with their stakeholders. To safeguard internal systems, WorkSafeBC has created audit trails and security mechanisms to guard against the inadvertent or intentional release of information. As well, staff members are made aware of their responsibilities and reminded annually of their required compliance with standards of conduct.

As part of WorkSafeBC's commitment to a fair and honest worker protection plan, employers are required to fully disclose payroll and injury information. Each employer is required to register with WorkSafeBC, to accurately report payroll accounts, pay workers' compensation premiums, and ensure all work-related injuries and serious incidents are reported in a timely manner.

Workers have specific obligations as well including: reporting injuries; refraining from engaging in unsafe work practices; and, if they are injured, engaging in rehabilitation and the return-to-work process but only when it is safe to do so. WorkSafeBC has audit and investigations processes in place to ensure all parties are participating effectively in the workers' compensation system.

WorkSafeBC's fraud prevention strategy is overseen by a committee of senior directors. The policies and practices adopted by the committee include a confidential internal reporting system, a fraud risk assessment process, an information security policy, and a remediation process that reviews instances of fraud or misrepresentation.

Over the next two years the strategy will be implemented beginning with streamlining of existing processes and delivery of a new fraud awareness education and training program.

Teleclaim

WorkSafeBC's Teleclaim Service Centre enables injured workers to report injuries by phone and to receive personal assistance from trained staff members to assist them with their recovery and return to work.

On average, about 69 percent of all workers who complete an application for compensation do so by calling Teleclaim. The service is designed to meet the service priorities previously identified by workers through WorkSafeBC's Voice of the Customer (VOC) program and to streamline injury reporting, disability management services, and the processing of wage-loss payments. The service is also designed to facilitate earlier return- to-work planning. Teleclaim offers real-time interpretation services in more than 170 languages. A detailed list of the interpretation services is featured in WorkSafeBC Statistics 2011.

Voice of the Customer

Each and every day the WorkSafeBC team continues making the improvement of customer service a priority. The need to improve the customer service experience for workers and employers was identified as a priority in the Core Services Review[1] published in 2002.

WorkSafeBC continues to use feedback through the Voice of the Customer program to better understand the needs of its customers. Through its partnership with a market research company, WorkSafeBC established the Voice of the Customer program — a stakeholder feedback initiative designed to identify the areas of service considered most important to workers and employers.

Through surveys and focus groups, the VOC program allows WorkSafeBC to measure the critical human interactions that drive stakeholders' perceptions of the organization. As a result, WorkSafeBC is better able to tailor its business decisions to meet the needs of workers and employers and improve service across all areas. More information on the VOC program can be found in WorkSafeBC Statistics 2011.

In his 2010 follow-up to the core services review, Dr H. Allan Hunt concludes, "We are particularly impressed with the survey-based indicators of injured worker satisfaction, employer satisfaction, and public contribution as perceived by the general citizenry of the Province. These are bold measures that speak volumes about the commitment of WorkSafeBC to customer service. WorkSafeBC is to be congratulated on adopting the public outcome measures and achieving a high level of performance on them."

Appendix D:

Safe Work, Outstanding Service: WorkSafeBC's strategic plan 2012–2017

WorkSafeBC's Board of Directors is legislatively responsible for setting the organization's priorities and planning for its future. In 2011, the Board undertook a complete review of its existing strategic plan, the current operating environment, and challenges likely to face WorkSafeBC in the coming years. The result of that review is a new strategic plan that will guide WorkSafeBC through 2017, its 100th anniversary.

Past strategic plans have helped lead WorkSafeBC's operations to their present levels of performance. The new strategic plan seeks to consolidate past improvements while focusing more acutely on what most threatens the health, safety and well-being of British Columbia's workers and employers. The shift in priorities and WorkSafeBC's current vision, mission, and values are noted elsewhere in this document (see Strategic Foundations page 4 and the Linking Priorities and Performance section on pages 22-33).

The previous strategic plan was based on a vision of "workers and workplaces safe and secure from injury, illness and disease." The new vision statement reflects a greater emphasis on the most serious threats to workers' health and safety: "British Columbians free from workplace injury, disease and death." The Board anticipates this vision will include all workers and other persons in workplaces within WorkSafeBC's scope of coverage.

The previous strategic plan focused on WorkSafeBC's mandate and working with workers and employers to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate (injured workers), and assist with timely return to work
- Provide fair compensation to replace lost wages for injured workers during their recovery
- Ensure sound financial management for a viable workers' compensation system

The new mission statement encapsulates a more focused approach. WorkSafeBC's mission is to:

- Champion safe and healthy workplaces
- Save lives and prevent injury and disability
- Deliver outstanding service to workers and employers
- Provide and support excellent medical and rehabilitative care to workers
- Preserve the financial integrity and sustainability of the system
- Learn, lead, and share

The Board of Directors and executive of WorkSafeBC believe this heightened emphasis on safe work and outstanding service is necessary to take performance to the next level. WorkSafeBC's mission formally recognizes the prevention of disability as part of the organization's overall prevention mandate. Returning workers to safe and durable employment is an important part of that mission.

The new strategic plan is evolutionary rather than revolutionary. The Board has determined that many of the programs and services developed to support the previous strategic plan are effective; these will continue, part of the fabric that constitutes the sustaining strategies and infrastructure of WorkSafeBC. These form the foundation for the main strategies of the new strategic plan:

- Prevention of serious injury strategy
- Service and return-to-work strategy
- Financial and technology strategy
- Knowledge acquisition and transfer, innovation and sharing strategy

None of these strategies can be achieved without the talent and dedication of WorkSafeBC's management and staff. The new strategic plan acknowledges the commitment of WorkSafeBC's employees and includes a "people strategy" to support, develop and protect them.

A copy of the strategic plan is available at WorkSafeBC.com.

Senior Executive

David Anderson
President and Chief Executive Officer

Steve Barnett
Senior Vice-President and Chief Financial Officer

Roberta Ellis
Senior Vice-President, Human Resources and Corporate Affairs

Diana Miles
Senior Vice-President, Operations

Pamela Cohen
Vice-President and Chief Review Officer

Ian Munroe
Vice-President, Claims Services

Betty Pirs
Vice-President, Prevention Services

Donna Wilson
Vice-President, Industry Services and Sustainability

Kevin La Freniere
Vice-President, Marketing

Ed Bates
General Counsel and Secretary to WorkSafeBC

Online viewing

For an electronic copy of this report, visit our website at WorkSafeBC.com.

Feedback

To comment on WorkSafeBC's *2011 Annual Report and 2012–2014 Service Plan*, contact Scott McCloy, Director of Community Relations, at 604 276-3113 or scott.mccloy@worksafebc.com.

Endnotes

1. WorkSafeBC aims to minimize the affect of workplace injuries and further disabilities that can result from these injuries through physical, psychological, and vocational rehabilitation and return to work.

2. WorkSafeBC reviews historical incidents and claims statistics of all the industry sectors in British Columbia and identifies industries that have significant exposures and a greater risk of injuries and fatalities.

3. The Accident Fund is the fund provided for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio of investments and other assets of WorkSafeBC.

4. For priorities as defined by the previous strategic plan, see page 22.

5. In accordance with the *Workers Compensation Act*, the annual report and service plan must be provided each year to the minister by March 25 and March 31, respectively. A request for legislative change has been submitted to the Ministry of Labour to amend the delivery dates for both these reports to April 30. This extension is required to comply with the International Financial Reporting Standards requirement that financial instruments be reported at fair market value (fair market value for some instruments are not determinable until the end of March each year).

6. While the information contained in this annual report reflects the organization's actual performance for the period from January 1, 2011, through December 31, 2011, all material fiscal assumptions and policy decisions made up to April 24, 2012 have been considered in developing this publication.

7. WorkSafeBC changed key objective/performance indicator #8 in 2008. In addition, in 2011, the Board of Directors approved a new strategic plan that included a change in the focus of key objective/performance indicator #2. The other nine key objective/performance indicators in this report have been applied as a group since 2008. Most of the organization's key objective/performance measures have been applied for much longer and can be found in past WorkSafeBC annual reports dating back 10 years or more.

8. Employers are assigned to classification units based on their main industrial activity. Industrial activities are organized into three levels: sectors, subsectors, and classification units. The classification structure consists of seven sectors, 24 subsectors, and 619 classification units.

9. The provincial injury rate is calculated in accordance with the Association of Workers' Compensation Boards of Canada's definition (see Appendix B, page 124). Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims that occurred in 2011 and were first paid that year (or estimated to first be paid within the first quarter of 2012) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from and employment related to deposit-class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part-time or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, and on matching wage-rate data.

10. A reduction in the injury rate of just 1.0 percent (from 2.36 to 2.34, for example) translates to approximately 488 fewer workers who suffer wage-loss injuries, around $8 million less in claim costs, and 29,400 productive work days gained by the economy.

11. If employment in a sector that has a relatively high injury rate, such as construction, grows, while employment in a lower-risk sector, such as retail, declines, the provincial injury rate could still increase, even if the injury rate remains the same or drops in both sectors.

12. These 2011 injury rate estimates are preliminary as of December 2011. They are based on available claim and employment information, and subject to estimation error and change. They take into consideration employment estimates from the Statistics Canada Labour Force Survey and the Statistics Canada Survey. Injury rates for 2011 will be available in July 2012.

13. This measure will help WorkSafeBC identify — and focus prevention activities on — the industries and risks most likely to severely harm workers. Over time, the application of a serious injury rate may help the organization identify new risks and assess the effectiveness of its safety programs or initiatives. More information on the serious injury rate is available in WorkSafeBC Statistics Report, available online at WorkSafeBC.com.

14. Health-care-only claims are excluded from the calculation of the serious injury rate.

15. Short-term disability (STD) duration is a calculated measure based on the number of days paid in the current year for claims arising in the current and five previous years with an adjustment for days paid associated with older claims. The calculation includes the days arising from short-term disability payments and excludes the days arising from rehabilitation payments. For a more detailed explanation of this calculation see the 10-year summary of consolidated financial statements at www.worksafebc.com/publications/reports/annual_reports/default.asp.

16. Timeliness of initial short-term disability payments: The 21.8 day timeliness statistic represents 75%percent of injured workers who receive payments directly from WorkSafeBC (timeliness of 29.0 days) and 25%percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).

17. Prior to 2011, WorkSafeBC conducted surveys of approximately 400 injured workers in the fall of each year.

18. WorkSafeBC previously conducted one annual survey of 400 employers in the fall of each year. Beginning in 2011, WorkSafeBC began surveying 250 employers, twice per year, once in the spring and once in the fall.

19. WorkSafeBC determines the target level of the Capital Adequacy Reserve using an approach comparable to the one prescribed for private insurers by the federal Office of the Superintendent of Financial Institutions (OSFI). The OSFI approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires private insurers to maintain levels of at least 150 percent of the minimum capital requirement. By resolution, WorkSafeBC's Board of Directors has set a target capital requirement of 160 percent of the minimum capital requirement level, using the OSFI methodology.

20. The measure of funding adequacy used by the Association of Workers' Compensation Boards of Canada (AWCBC) is total assets over total liabilities (see Appendix B, page 126). Example: In 2011, actual assets were $12,548 million, which represents 125 percent of the liabilities of $10,004 million, but 93% of the current target asset level of $13,941 million.

21. The market rate of return on investment is reported by WorkSafeBC's fund manager, B.C. Investment Management Corporation (bcIMC), in its year-end report. To align with WorkSafeBC's change from the previous Canadian generally accepted accounting principles to International Financial Reporting Standards (IFRS), the market return for 2010 (the transition year for IFRS) and 2009 have been restated by bcIMC to account for valuation adjustments for a number of illiquid assets.

22. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth minus 1.0 percent, with a maximum of 4.0 percent and a minimum of zero. The inflation adjustments applied to benefit rates were 1.4 percent at January 1, 2011 (2.4 percent CPI growth minus 1.0 percent) and 1.9 percent at January 1, 2012 (2.9 percent CPI growth minus 1.0 percent).

23. The aggregate premium rate reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies, depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate because it reflects the actual, rather than projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate owing to imbalances arising from the experience rating plan. This aggregate premium rate can be viewed as a collection rate; it reflects the actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.

24. Since WorkSafeBC's premiums are collected in arrears, the actual funds collected and the corresponding payroll for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2010 and previous years reflects the final collected rate. The rate shown for 2011 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives.

25. In 2011, WorkSafeBC maintained separate financial accounting for 65 different rate groups. Each such rate group is responsible for its own financial performance, represented by the "rate group balance." The rate group balance represents the net financial condition of a rate group (i.e., historical assessments, plus investment income, less claim costs, administration costs, and contributions to reserves). If this balance is positive, the rate group is in a surplus, and if it is negative, the rate group is in a deficit.

26. WorkSafeBC's administration costs for key objective/performance indicator #10 are defined by the Association of Workers' Compensation Boards of Canada (AWCBC). In accordance with AWCBC's calculation method, WorkSafeBC does not include administration costs associated with prevention, treasury/ investments, third-party recoveries and related legal costs, grants and awards, reviews and appeals, workers' and employers' advisors, sessional physicians, external medical service providers or costs related to self-insured employers. Among these items, the highest cost is associated with prevention initiatives which, in 2011, was $0.08 per $100 of assessable payroll.

27. The Ministry of Finance estimate of B.C. labour income for 2012 is from the first quarterly report for the 2011/12 fiscal year (September 8, 2011), and the estimate for 2013 and 2014 is from the budget and fiscal plan 2011/12 – 2013/14 (February 15, 2011).

28. The method of calculating the administration cost ratio targets have been modified to exclude miscellaneous revenue to be consistent with the calculations adopted by other workers' compensation organizations.

29. An amendment to reporting procedures in accordance with a recent B.C. Government GHG Reporting Methodology Working Group decision changed our historical GHG disclosure.

30. Self-insured employers are sometimes referred to as deposit account employers. These employers do not pay premiums based on assessable payroll; rather, they are required to pay WorkSafeBC the cost of all compensation benefits distributed to their workers, plus a share of the administration costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. These employers include the provincial and federal governments, Air Canada, and certain railway companies.

31. Effective January 2011 the investment policy asset allocation targets were set at 33 percent fixed-income (allowable range 20–45 percent), 39 percent equity (allowable range 25–50 percent), and 28 percent inflation-sensitive (allowable range 15–40 percent).

32. WorkSafeBC's investment goal is to produce a long-term average real return over and above the inflation rate (as measured by the annual increase in the consumer price index (CPI), equal to the discount rate used to calculate liabilities). The minimum required return for 2011, was based on CPI growth plus 3.0 percent, pro-rated by the ratio of total liabilities over total assets, using values from the beginning of the year.

33. Total claim costs and changes in benefit liabilities were both on a downward trend from 2001 to 2010 (though these costs did not decrease every consecutive year) before increasing in 2011. Excluding non-recurring items, total claim costs decreased from $1,649 million in 2001 to $1,291 million in 2010, then increased to $1,645 million in 2011; changes in benefit liabilities reduced from $562 million in 2001 to negative $35 million in 2010, then increased to $265 million in 2011.

34. The Capital Adequacy Reserve was originally called the Investment Fluctuation Reserve when it was created in 2005.

35. The audits are performed in accordance with Section 5970 or Section 3416 (for audits of periods ending on or after December 15, 2011) of the Canadian Institute of Chartered Accountants (CICA) Handbook.

36. The employee and full-time equivalent (FTE) figures include employees who joined or left the organization during the year.

Workplace health and safety is everyone's responsibility

All workers are entitled to safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained. Keep written records of training.
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment as required.

Supervisor responsibilities

- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements, and correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow health and safety requirements affecting your job.
- Use all personal protective equipment when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin.
- Always work safely and encourage your co-workers to do the same.
- Immediately correct unsafe conditions or report them right away to your employer.
- Immediately report any injury to a first aid attendant or supervisor.
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

Worker rights

- Know about workplace hazards.
- Participate in workplace health and safety activities.
- Refuse unsafe work.

For more information

If you have questions about workplace health and safety issues, call the Prevention Line at 604 276-3100 or toll-free within B.C. at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at www.worksafebcstore.com.